Accountancy

ESTABLISHED 1889

Code for the Takeover

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The Institute's Recommendations

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Capital Expenditure Decisions

THE JOURNAL OF
THE INSTITUTE OF CHARTERED ACCOUNTANTS
IN ENGLAND AND WALES

NOVEMBER 1959 PRICE 2s. 6d.

The Institute of Chartered Accountants
in England and Wales

Incorporated by Royal Charter May 11, 1880

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23 ESSEX STREET, LONDON, W.C.2

The editorial and contributed articles and notes in ACCOUNTANCY *cover a wide range of subjects and are selected for their general interest. The views expressed are not necessarily shared by the Council of the Institute of Chartered Accountants in England and Wales.*

Accountancy

The Journal of THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

ESTABLISHED 1889

Incorporating ACCOUNTING RESEARCH

VOL. LXX NOVEMBER 1959 NUMBER 795

The annual subscription to ACCOUNTANCY *is £1 10s., which includes postage to all parts of the world. The price of a single copy is 2s. 6d., post free 3s. The publication day is the twentieth of the month (the day before if the twentieth is a Sunday). Editorial and Advertisement Offices: 23 Essex Street, London, W.C.2. Telephone: Temple Bar 8824.*

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Professional Notes

The Law and the Investor—

THERE HAS BEEN a number of developments since the need for more effective protection for the investor was mentioned on page 509 of our October issue, and it now seems that a new Companies Act is likely to emerge. It is some sixteen years since the Cohen Committee began the labours on which the Companies Act, 1948, is based. This Act was a great step forward, imposing on those concerned almost all the duties which at that time it seemed proper to suggest. But post-war developments have changed both the material background and the intellectual climate in which financial institutions operate, and it is also producing a new type of investor who is normally in need of even greater protection than it seemed reasonable to accord to the—supposedly more experienced—investor of pre-war days. The Government has now promised an inquiry which will, presumably, be ordered by the Board of Trade and will, one must hope, lead to a new Act. It is also intended that the need for changes in building society regulations shall be investigated, while a revised Trustee Act is also intended. Negotiations are now proceeding between the Board of Trade and the newly-established Unit Trust Association, whose formation is dealt with on page 580, while the report of the City houses, under the Issuing Houses Association, dealt with on page 583, is now public. Further indications of preparation for new legislation are the appointment by the Institute of Directors of a committee, under the

chairmanship of Sir Edwin Herbert, to examine the whole question of the company law, with particular reference to takeover bids, and the decision of the Association of British Chambers of Commerce to look into the general question of reform with special attention to non-voting shares and the possibility of permitting the use of no-par-value shares.

At the present moment attention is directed mainly to the question of takeover bids, and the views of the Institute of Directors on the Issuing Houses memorandum on directors' powers and duties will be awaited with interest. But most of the investigations, and certainly the official inquiry, will cover a much wider range.

—Some Major Reforms

IT SEEMS PROBABLE that there will be needed a new Building Societies Act as well as a revised Companies Act, together, perhaps, with some changes in the Prevention of Fraud (Investments) Act. This is a major programme, and even so it is not clear how some of the desirable changes in practice can be enforced by law and how far one must rely mainly on the persuasion of public opinion, backed by the possibility of non-co-operation on the part of organised City associations, to ensure good behaviour. Obviously there is no desire to exclude new entrants, but it is necessary to make sure that they are people of substance—relative to the commitments they undertake—and of good repute.

As to the building societies, the latest major Act specifically directed to them is the Building Societies Act of 1894. Certainly many institutions have crept under the umbrella of the Building Societies Acts which it was not intended to shelter and which should now face the weather without this protection. The abuses that have arisen in consequence are numerous, and one may mention two: conditions under which it is permitted to advertise for deposits, and the adoption of high-sounding titles which would certainly not be passed as suitable for companies.

Some control over advertising for deposits by building societies and other financial concerns has been exercised, but it has been limited to extreme instances of abuse. Here is another important matter for examination.

With regard to the law affecting companies, there remain at least two points left out of the last Companies Act which may well be looked at again: easier means to discover the real ownership of shares registered under nominees and the publication of some form of trading accounts. In addition, there are the recommendations of the Gedge Committee on the use of no-par-value shares to be considered. Of reforms which have been demanded widely only in the comparatively recent past, there are the oft-repeated strictures on non-voting shares, the need for even greater safeguards in prospectuses—and means to prevent the evasion of these requirements—quicker publication of accounts and more frequent progress reports in some cases, and a cheaper and more expeditious alternative to the present system of share registration. Finally, there is the question of the duties of directors towards (*a*) the company and (*b*) the shareholders. The latter is a particularly difficult question. Some extremely autocratic Boards do very well for their shareholders, and some complacent ones do the reverse.

Nonetheless, the weight of present opinion seems to favour some action to make directors pay more attention to the needs of the average holder of Ordinary shares. How far this can be achieved by changing the law is a matter on which, it is to be hoped, investigation will throw light.

Misrepresentation and Honest Belief

IN THE ISSUE of ACCOUNTANCY for November, 1958 (pages 591–593), we published an article entitled "An Occupational Hazard—Advising on Investments," and in March, 1959 (pages 131–2) a Professional Note on "Reckless Statements." In the latter we stated that, saving exceptions, for a negligent statement (as opposed to a negligent act) to be actionable it must be wilfully false, or so reckless that the maker cannot be said to have genuinely and honestly believed it was true. This rule was established in *Derry* v. *Peek* (1889) 14 App. Cas. 337, and was applied recently by the Privy Council in *Akerhielm* v. *De Mare* [1959] 3 W.L.R. 108, on appeal from the Court of Appeal for Eastern Africa.

The respondents alleged that in a circular letter signed by the appellants, which induced them to subscribe for shares in a private company formed in Kenya, it was stated . . . (*c*) that "about one-third of the capital has already been subscribed in Denmark." Some part of the capital referred to comprised shares allotted as fully paid to persons resident in Kenya for services rendered in Denmark in connection with the formation of the company. The respondents brought an action against the appellants in the Supreme Court of Kenya alleging that (*c*) was a fraudulent misrepresentation, and claiming damages. The trial judge held that representation (*c*) was untrue but that the appellants honestly believed it to be true when it was made, and dismissed the action. The Court of Appeal for Eastern Africa found that the representation was untrue, reversed the trial judge's finding that the appellants honestly believed it to be true, and awarded damages.

The Privy Council held that the word "subscribed" in the circular letter did not mean that one-third of the capital had already been subscribed in cash; consistently with the representation, formation expenses of the company and the acquisition of patent rights could be met by allotting fully-paid shares. In the circumstances, the Court of Appeal was not justified in reversing the trial judge's view, formed after seeing and hearing the first appellant give evidence, that he did honestly believe representation (*c*) to be true.

Assuming, however, that the Court of Appeal was justified in substituting its own conclusion for that of the trial judge on the question of honest belief, it had adopted a wrong method of approach in that it construed the language of representation (*c*) as it thought it should be con-

strued according to the ordinary meaning of the words, and held that, on the facts known to the appellants, it was impossible that either of them could ever have believed the representation as so construed to be true. The question was not whether the defendant in any given case honestly believed the representation to be true in the sense assigned to it by the Court on an objective consideration of its truth or falsity, but whether he honestly believed the representation to be true in the sense in which he understood it, albeit erroneously, when it was made. Moreover, applying the principle in *Glasier* v. *Rolls* [1889] 42 Ch. D. 436, at page 437, where a defendant has been acquitted of fraud in a court of first instance the decision should not be displaced on appeal except on the clearest grounds.

The New Minister of Transport

IT IS WITH great pleasure that we tender to the Rt. Hon. Ernest Marples, P.C., M.P., A.C.A., our congratulations on achieving Cabinet rank in charge of the revised Ministry of Transport. Mr. Marples has been a member of the House for less than fifteen years, but has held posts of increasing responsibility ever since 1951. On the occasion of his appointment as Postmaster-General an account of his achievements up to that date was given in ACCOUNTANCY for February, 1957 (page 47). It constituted a story of success in every field that he had entered, and of his many activities outside his main career. The steps leading to his latest success may, perhaps, be marked by the writing of an influential pamphlet on housing, published by the Conservative Party; by his assistance to Mr. Macmillan, the then Minister of Housing, in implementing the promise to build 300,000 houses a year; and by his success at the Post Office. Now barely into his fifties, he is in the Cabinet in a post of great responsibility.

It is not everyone who would welcome being placed in charge of transport at this juncture. The problems of the roads are numerous and complex; it is by no means certain that the present modernisation of the railways, and the changes in powers recently acquired, will solve their difficulties to the point of placing them on a profitable basis; and to this is now added responsibility for shipbuilding and repairing. This industry now faces a very difficult period of adjustment, and will need all the initiative and drive which characterise the new Minister if it is to come through successfully. Ernest Marples, however, appears to thrive on this sort of diet. There will certainly be no lack of ideas, but past experience, and his early training in the exacting discipline of the accountant, will no doubt continue to stand him in good stead in the difficulties of securing acceptance of what must in some cases be unpalatable courses.

Office Automation

NEWS COMES FROM "down under" of a new office block, a skyscraper twenty-six storeys high, which when completed will be an electronic engineer's dream palace. The building, to be constructed for an Australian insurance office at Sydney, will have main doors on the ground floor which fly open automatically at the approach of a visitor. A robot conveyor will distribute mail and documents to all floors every twenty minutes, thus eliminating messengers and reducing staff movements in the building.

Policyholders can expect to have their queries answered promptly, as a closed-circuit television system will enable the enquiry clerk to check records and policies visually without moving from the counter. A "telewriting" system will make it possible for a records clerk to write the answer to a query on a telewriting machine which will transmit it and reproduce the writing on receiving apparatus on the enquiry clerk's desk.

A central typists' pool will deal with correspondence dictated on tape or wire recorders. Instead of calling for a shorthand-typist the executive will simply ring up the pool, and be connected to a recording apparatus. A copy-typist will then take over, and transcribe directly from the machine, without having to leave her desk. (This system has been developed recently in this country with conspicuous success.)

Finally, the new office block is to be equipped with an ultra-modern type of burglar alarm, both foolproof and invisible. When the equipment is switched on, high-frequency sound waves, inaudible to the human ear, will fill the building. Any air disturbance, such as that produced by entry of a burglar, or by smoke or heat waves from a fire, will start off the alarm. It remains to be seen whether insurance premiums come down, as a result of all this automation, or go up!

Gas Industry in Deficit

THE FINANCIAL RESULTS of the gas industry for the year to end-March last show a sharp contrast with those recorded for electricity in our October issue (page 508). For the first time since nationalisation, the results of the twelve area boards show a deficit on balance at the not negligible figure of £1,466,882 after normal depreciation, amounts written off and interest. Seven of the boards contributed to this deficit while five—the Northern, the two Midlands boards and those of Wales and the Eastern area—secured small surpluses. The principal cause of the setback was the fall in the industrial demand for gas and in the general demand for coke. These, with increases in labour, transport and other

Subscriptions to ACCOUNTANCY— Schedule E expense

The Inland Revenue has agreed with the Council of the Institute of Chartered Accountants in England and Wales (see page 626) that a member who qualifies for relief under Section 16 of the Finance Act, 1958, and has his subscription to the Institute allowed as a deduction under Schedule E, is also entitled to have his subscription to ACCOUNTANCY allowed as a deduction.

costs and the mild weather, more than offset the benefits derived from selling for a whole year at the higher price fixed during the preceding period. Despite a substantial switch from the making of coal gas to water gas, stocks of coke accumulated. It is undoubtedly one of the problems of the industry that post-war coke is unpopular, at least at current prices, but the industry appears to expect eventual relief from the introduction of smokeless zones. Meanwhile, the gasification of oil, imports of methane and the installation of Lurgi gasifiers in Scotland, and possibly later in the Midlands, to deal with low-grade coal will contribute to altering the relation between the quantities of gas and coke available.

With the completion of the first decade of its history under nationalisation, the Gas Council has produced a ten-year survey of the industry's achievements. During that period it has raised some £290 million from the public by the issue of four stocks with a nominal value of £295 million, and has received advances of £81 million from the Ministry. Substantial sums have been included annually for depreciation, which is provided on the basis of original cost. Owing to heavy replacements of old plant at increased prices, this provision has risen from £9 million in the eleven months of 1949/50 to £26.2 million in the year to March last, but it is evident that this is far short of what is required for replacement of old plant. To estimate how far it is insufficient is far from simple. It seems very probable that the trend towards the use of alternatives to gas coal, whether by imports of natural gas or by use of oil and low grade coals, will continue. Whatever happens in this field, there is on foot a drive for the development of large-scale gas grids to go hand in hand with the creation of very large-scale gas works of the Lurgi and similar types. There is the further question of the national taste for the open fire, which may be declining more than seems apparent at present. Its future cannot be separated from the provision of types of smokeless fuels more attractive than the normal type of coke. All these developments are likely to call for very large capital expenditure, of which the proportion that the industry will be able to finance itself can scarcely be large. It need hardly be said that the future of gas and that of coal will react continuously upon one another, and the latest plans for serious cuts in coal development are in line with the drift of the gas industry away from its traditional raw materials.

Coinage Reform?—

FRESH ENCOURAGEMENT HAS been given to those who favour a reform of the British currency by the first annual report of the new deputy master and controller of the Royal Mint, Mr. J. H. James. He is not concerned with the more abstruse points of a decimal currency, but he has definite ideas on what sort of coins the public ought to want, and probably wants, and he makes it clear that the Mint is ready to make them and to face the problems of a major change-over. The products of the Mint are by no means limited to the coins of this country and of most of the Commonwealth. This fact would diminish the impact of a marked change here, and also has provided the experience needed to produce acceptable coins of new types. Among actual suggestions, Mr. James would get rid of the farthing, which even the drapers have abandoned: this would leave the way free for a reduction in the size of the other copper coins, and possibly for a change in their composition. In his view no other country would adopt such a cumbersome coin as our penny. He then suggests that it would be easy to withdraw either the florin or the half-crown, and suggests the issue of crown and 10s. pieces. He would have the crown made of silver and in size between the shilling and the florin, while the 10s. piece would be twice its weight and, presumably, similar in size to the half-crown. Both would have raised inscriptions instead of milling on the edge. This practice, incidentally, has long been adopted on the Continent.

—And a Decimal System?

OF COURSE a reform of the actual coins could be carried out whether or not it were decided to adopt a decimal system. But there have been so many suggestions for decimalisation in recent years, as well as in the mid-nineteenth century, that to talk of one change will inevitably bring up new demands for the other. Our last Royal Commission on the decimal system was over forty years ago. The trouble has always been that, apart from the initial difficulties inherent in the switch-over, no one has found a way of retaining both the pound and the penny. Mr. James goes so far as to publish a table showing some possible solutions of the problem. Evidently only a unit containing 100 present pennies could cater for the retention of that coin, in whatever form, as part of the currency. To bring it into line with a 20s. unit would involve a write-up in its value by 20 per cent, or else the introduction of a fraction of the pound such as one twenty-fifth and a very modest write-down. Unless one adopted a unit of account as small as 10s. this objection would apply to all amounts under sixpence. Even so, apart from adjusting machines for tickets, etc.—which has been done repeatedly as inflation raised prices—the profit or loss to the individual would be small. Bodies as different as the British Association and the Association of British Chambers of Commerce have set up committees to look into the question. In May this year Mr. W. L. Barrows, LL.D., F.C.A., in his presidential address at the annual meeting of the Institute of Chartered Accountants in England and Wales (ACCOUNTANCY, May, 1959, page 247), reported that the Council had expressed to the Metric Committee of the British Association the opinion that the majority of members of the Institute would consider it advantageous to decimalise the coinage in the United Kingdom.

New Zealand and South Africa are now on the way to adopting the decimal system, and Australia may follow suit. In South Africa a new unit, the rand, containing 100 cents, is to be adopted on February 2, 1961. The rand will be worth 10s. and all silver coins, other than the half-crown, will remain in use at

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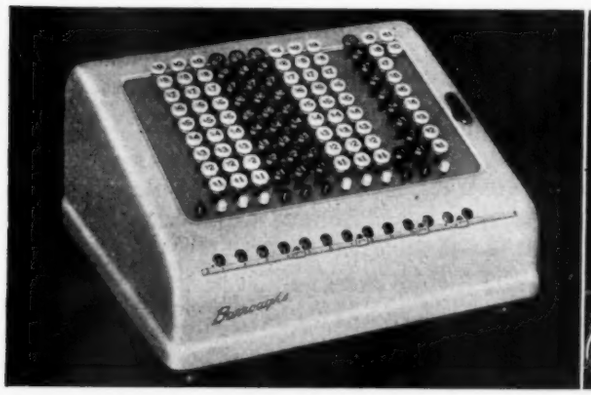

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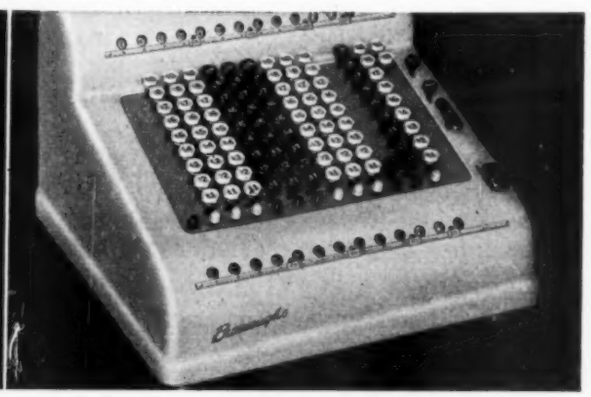

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present values. Canada has the decimal system already and it is almost universal on the continent of Europe. Whether or not we are to follow, it seems that the time is ripe for a decision on both a new system and a modernised coinage.

Accountancy for Graduates

THE INSTITUTE OF Chartered Accountants in England and Wales has now prepared and circulated a pamphlet entitled *The Chartered Accountant: A Career for Graduates*. This is a companion volume—in a more adult mood, both as to content and style—to the now familiar *Why Not Become a Chartered Accountant?* which is intended as a first introduction to the profession for a school leaver. The present publication has been distributed to the Registrars and Appointments Officers of all universities in England and Wales, to members of the Joint Standing Committee of the Universities and the Accountancy Profession, to all members of the Headmasters' Conference and to District Societies. Thus, information will reach those on their way to the universities and graduates as well as undergraduates. The pamphlet, the presentation of which is both attractive and dignified, sets out to explain the general nature of an accountant's work, what qualities are essential, how qualification is obtained and the choice between practice and employment in industry or commerce, including the opportunities open to the accountant in the higher reaches of company management and administration. The first-class man can earn as much in practice as he could in industry or in any other profession he might have chosen. The main section concludes with an exposition of the role of the professional man. The pamphlet ends with answers to a series of questions, beginning with how to arrange for articles and ending with existing provisions for pensions for accountants, both in practice and in industry and commerce.

While this pamphlet is addressed primarily to only a certain section of the public, the B.B.C. will present the picture of accountancy as a profession to a wider audience as one of its broadcasts on "Choosing a Job." This feature appears at 7.30 p.m. on Network Three and it is the turn of accountancy to appear on Monday, November 30, at that time.

Management Accounting in India

WITH THE SUPPORT of the Ford Foundation a team of three appointed by the Institute of Chartered Accountants of India visited the United States of America in 1957, and spent six weeks studying management accounting. A report on the visit has now been published in a book which runs to just over 200 pages.

The book (*Report on Management Accounting*) is addressed to managers and accountants in India, and should materially help in making better known the aims and methods of good accounting control. It has been written with two main aims—firstly, to report on what was seen and learned in the United States, and secondly, to describe in some detail the techniques of management accounting as applied to industry and government work. To accomplish both these large aims in one volume was an ambitious and formidable task. It has been tackled with an immense enthusiasm, which stands out in every paragraph, and with considerable success.

One problem discussed at considerable length is that of accountancy education. The authors were very impressed by the prominent part that both universities and accounting bodies have played in furthering accounting knowledge in the United States. They urge most strongly that there should be similar developments in India. In particular, they feel that the Institute of Chartered Accountants of India should undertake research work both alone and in co-operation with other professional bodies. They also examined the extent of management services given by public accountants in the United States and report that, while some were very enthusiastic about the extension of their work into this field, others felt less happy, as they had no staff with the necessary practical experience. However, the team urges that all practising chartered accountants in India should take an active interest in this work, some of the smaller firms perhaps joining with others to pool their resources in financing research and thus to gain experience.

The members of the team were Mr. S. Prakash Chopra (a past President of the Indian Institute and a member of the Institute of Chartered Accountants in England and Wales) (the leader), Mr. S. N. Desai (member of the Council of the Indian Institute), and Mr. E. V. Srinivasan (its secretary). The first two of these have published the report in the hope that it will influence accountants and others to take further steps to learn more about the techniques of management accounting, and then to apply them. In view of the time and effort that has evidently gone into it, and the comprehensive nature of its survey, we hope that the report has aroused a great deal of interest in India. As one of the first publications on the subject to be produced in that country, the report certainly deserves to be widely studied and applied there.

Products Liability Insurance

PRODUCTS LIABILITY INSURANCE is the newest form of liability insurance of major importance. It is still in the early stages of development, but is expected to grow in importance and size as industry realises the vital part that such a form of protection can play. It has been suggested, in fact, that within twenty years this type of insurance will have assumed the position in the market now occupied by today's largest liability insurance: motor.

The usual public liability or third party policy meets claims for bodily injury and property damage for which the insured may be held legally liable and which happen at the premises of the insured or as a result of direct contact between the insured (or his employees) and the third party. Accidents must be brought about by some neglect on the part of the insured or his servant, or by some defect in his premises or works.

Products liability insurance is concerned with third party claims arising out of contact between the insured's

products and third parties. Liability, in fact, for the risks of manufacture as opposed to operations.

It is generally considered more satisfactory, except for simple retail shop risks, to arrange such an insurance by a separate policy rather than as an extension of the general policy. Different conditions and exclusions are necessary, and different considerations apply.

Products insurance provides indemnity for legal liability for accidental death or bodily injury or accidental damage to property caused by any defect in any of the products specified in the policy and sold by the insured. The words "and sold by the insured" may not be of sufficiently wide interpretation: it may be necessary to refer to products as "manufactured, handled, distributed or sold by the insured." An indemnity limit is fixed for any one accident, and for the purposes of the policy "any one accident" is defined as including all accidents caused by one defective product, however many claims arise from it. This is important when one considers the possibilities of such things as food poisoning claims arising from one defective batch leaving the factory.

As is usual, insurers bear legal costs over and above the cost of the claim.

The exceptions are not numerous, but the policy does not cover:

(*a*) liability arising from products whilst they are in the custody or control of the insured;

(*b*) liability assumed under contract, unless the liability would have attached if such a contract had not been entered into. This is an exclusion common also to general third party policies, and has the effect of causing the insured to approach insurers if he wishes to insure contractual liability. This is fair to insurers, who naturally wish to know the precise liabilities they are required to undertake;

(*c*) food poisoning risks arising on the premises. These risks are insurable under the general third party policy, of which they form an extension;

(*d*) liability for fire or explosion damage to property. This risk also forms an extension of the general third party policy, from which it is always specifically excluded. The reason for the exclusion is to place the onus on the insured of bringing to the notice of the insurer any special hazards which may exist;

(*e*) war risks;

(*f*) claims from employees arising out of and in the course of their employment. This risk is more properly insured by an employers' liability policy;

(*g*) claims arising from the manufacture, etc., of any product contrary to any law or regulation. This is an obvious matter of public policy.

The limit of indemnity to be chosen is of great significance and must be related to the volume of products manufactured and distributed, and the area that is served. If foreign trade is undertaken, this is of particular importance; and if we consider the case of a large manufacturer turning out foodstuffs for all parts of the world, there is the possibility of claims involving death or illness from food poisoning being made months after the date of manufacture and coming, perhaps, from several countries, all arising from one act of negligence in the manufacturing process. Such claims will fall to be dealt with under the terms of the policy, even if it has expired, provided the defect occurred during the term of insurance.

The possibilities of large claims are clearly apparent, and insurers are conscious that consideration of such risks does not entirely depend upon a claim-free record on the part of an insured. It would be unwise also if insurers were lulled into a false sense of security by a period free of claims. The general feeling of the market is that prevailing rates are too low, and the inevitable crop of claims will cause some revision. The risks are there, but, because the importance of this class of insurance is not yet generally realised, full experience has not been gained in assessing the hazards involved. Nevertheless, the cover is available if required—and the small manufacturer beginning business could well be ruined if faced, whilst uninsured, with a claim arising from a defect in his product.

A Unit Trust Association

AFTER DISCUSSIONS LASTING several months, the bulk of the unit trust managers have been able to form an association. In view of the need to encourage the ownership of shares by the mass of the people, and of the fact that investment is now at a level seldom touched, the moment is particularly propitious for this step, which has also been rendered almost inevitable by the fact that the Government is considering new measures for regulation of the movement. While the association includes eleven groups of trust managers, it is a matter for sincere regret that one, and that among the oldest, the Municipal & General, has felt unable to become a member at this stage. The chairman, Mr. Ian Fairbairn, has made clear his reasons for staying out for the present. He is primarily interested in protecting the interests of the unit-holder. Discussions with other managers, in which he took a leading part, had led to the drafting of a set of rules which covered at least some of the steps needed to secure adequate protection, but when the decision to form the present association was finally taken the whole question of these rules was left over for later decision. In these circumstances Mr. Fairbairn sees no point in joining at present, but has expressed his desire to do so once a code of conduct which provides the necessary safeguards has been agreed. It appears, however, from a letter written to *The Times*, that he expects a compromise arrangement, and it will then depend upon the nature of the compromise whether M. & G. will join or retain freedom to express its own views on what further protection is desirable. It is understood that one of the matters on which Mr. Fairburn differs from most other managers is the desirability of block issues of units, which constitute a very convenient means of getting a new trust started but which, he feels, are open to objections. Meanwhile, he fully concedes that the discussions to date have been very useful in clearing up points which previously had not been generally appreciated.

It is not difficult to see where the difference between the two groups lies. Those who are members are in negotiation with the Board of Trade concerning changes in the regulations

which the Board has been considering for some time. Once these regulations are made it will, they feel, be time to draft their own rules in accord with them and to ensure a reasonable standardisation of practice. They probably feel that any substantial variation in practice within the new regulations will not be possible. Meanwhile, M. & G., who have always been inclined to interpret everything in what they considered to be the interests of the investor, may believe that the margin for variation will be wider. There remain in fact to be resolved, either by the Board of Trade or by the association, a number of questions, particularly on agents and principals and on the matter of the block offers of units. It is early yet to assess the probable value of the association. It is certainly a step in the right direction, and it has got off to a good start by securing as chairman Sir Oscar Hobson—until his recent retirement the doyen of financial journalists—whose wide experience and high reputation cannot be other than a great advantage to the new body.

Wages by Cheque

REFORM OF THE Truck Acts, especially in so far as they affect payment of wages through a bank, has been widely discussed in the past few years, and the tempo of the discussion has been increasing as first Mr. R. Graham Page and then Mr. Patrick Maitland, with Mr. Page as one of his supporters, introduced their Wages Bills. Last summer the Government, after the National Joint Advisory Council had accepted the principle of the "wages by cheque" change, undertook to introduce a Bill of its own; and now the Queen's Speech promises the Bill this session. The Government has also set up a Committee, under the chairmanship of Mr. David Karmel, to consider how far the Truck Acts need amendment apart from the specific "wages by cheque" point. The two earlier Wages Bills dealt with some of these other matters; presumably the new one will handle only the immediate agreed reform, leaving the Karmel report for later attention.

Public discussion has cleared the air of some of the early dust. It now seems fairly clear that, whatever form the Government's Bill takes, the banks are not going to be immediately overwhelmed with new business. Obviously the legislation will be permissive—there can be no compulsion to accept any substitute for cash—and, almost equally obviously, hardly any wage-earners will readily accept cheques unless they already have banking accounts. The method that most employers and all banks would prefer to cheque payment—payment by credit to a banking account—depends even more directly on the existence of the banking account. So increase in the banks' business will continue to depend on the gradual spread of the banking habit, with the Wages Act, when it is passed, merely accelerating a process that is already in being. There are no statistics to indicate how far this eminently desirable social change has gone, but in a broadcast discussion earlier this year Mr. R. G. Thornton, general manager of Barclays Bank, gave an indication of the trend when he said that in his own bank in May, 1954, 10 per cent. of new accounts were those of wage-earners, the corresponding percentage for October, 1958, being 16.

It may be that the Bill will still encounter some vestigial opposition from the trade unions, despite the blessing of the Joint Advisory Council, but it will hardly be enough to check the progress to the statute book of a measure which will remove an absurd legal anomaly, and give mild encouragement to wage-earners in their use of another middle-class amenity.

Term Loans from Banks

AMONG THE GAPS which the Radcliffe Committee found in the British credit structure was insufficient attention by the commercial banks to the needs of agriculture for long-term finance and of the small industrialist for mid-term finance. Possibly not all banks would agree that these gaps exist and it is certainly true in practice that the traditional method of finance by overdraft frequently covers an extended period. Some time ago the Midland Bank, which over the past thirty years has not infrequently ploughed a lone furrow, decided to grant long loans to agriculture, and it has this month announced its willingness to grant term loans to industry. These will normally have an upper limit of £10,000 and will run for three to five years for plant and equipment and for ten years, or possibly longer, for the purchase of business premises. There is a price to be paid for the added certainty in that the rate of interest will be two points above Bank Rate—against one point for overdrafts—while repayment will be by equal six-monthly instalments over the life of the loan. The Scottish affiliate of the Midland—the Clydesdale and North of Scotland Bank—will grant similar facilities north of the Border.

Jackson Case Revisions

MR. JUSTICE BARRY, sitting with Mr. Justice Diplock and Mr. Justice Salmon, gave judgment in the Court of Criminal Appeal, rejecting the appeal of Leonard Percival Jackson and his associates, Donald Norris Morphew and Stanley John Hemmings, against the main points of their conviction by the Central Criminal Court. The counts of falsifying documents and uttering forged documents must stand. The appeals of all three were allowed against their convictions for conspiring to defraud by the fabrication of documents. The earlier proceedings were dealt with in our issues of May (page 243) and June (pages 303–4). In giving the judgment of the Court, Mr. Justice Barry stated that Jackson was the central figure and that Morphew and Hemmings had never played more than a strictly subsidiary part. In all matters the summing up by Judge Aarvold at the Old Bailey had been unexceptionable. The Court could not attach substance to the criticism that the summing up failed to remind the jury of evidence given by Jackson's fellow directors that suggested that they might have been aware of the transactions entered into by Jackson. The review of the evidence had erred on the side of the defence. The plea that the quashing of the conspiracy charge entitled Jackson to a reduction in the

term of imprisonment could not be accepted. The decision of the Court did not affect the real substance of the case and there would be no alteration in the sentences.

National Service Deferment

THE MINISTRY OF Labour and National Service has varied the recently announced deferment regulations (see ACCOUNTANCY, October, pages 510–11). Articled clerks (other than former bye-law candidates of the Society) who do not pass the Intermediate examination within four years of the commencement of their service will now in all cases be allowed to finish their articled service, irrespective of the date on which such service will end. The May, 1960, examinations edition of the booklet *General Information and Syllabus of Examinations*, available from the offices of the Institute of Chartered Accountants in England and Wales, contains the full regulations as now revised.

First Place for Accountants

IF ONE IS to believe the Wholesale Clothing Manufacturers' Federation, accountants are to be placed very near the top of the list of the best-dressed section of the community—or presumably only of the male section, since this body makes no claims to clothe the ladies. The male accountant is placed second only to the politician, with bankers, doctors and actors occupying the next three places. As the W.C.M.F. claims to cover four-fifths of the male population it must regretfully be accepted that in mere numbers the politicians have won. Without going into detail on what constitutes dressing well, it can be agreed that the intellectual discipline of accounting is likely to favour the English conception of its meaning, and the same discipline has stood the accountant in good stead in another contest—the standard of handwriting—in which he was judged to tie with architects for first place among professional men. In the matter of clothes the architect could do no better than secure the eighth place, while in handwriting the politician does not appear to have merited a mention, so that in the competition so far the accountant can claim, on any reasonable "weighting" of the two qualifications, to have won the day.

Shorter Notes

Social Service in London's East End

The Warden of Toynbee Hall has now reported on the response to the appeal for voluntary workers made by the then Lord Mayor, Sir Harold Gillett, M.C., F.C.A., which appeared in our April issue (page 222). To date 115 men and women working in the City have offered to help and it is believed that all are happily engaged in social service in the East End of London. Most of these were young people without family ties, but some were very definitely senior and their help on management committees, the Citizens' Advice Bureaux, etc., is of great value. Thanks to this help the Stepney Old People's Welfare Association and the companion Toynbee Hall body as well as other institutions to a total of some twenty-four are more effective, and relief to the W.V.S. has made possible an evening club in Stepney for old people. More helpers of all sorts would still be welcome, and there is a particular need for those who can give day-time help for services such as meal-on-wheels, out-patient canteens, and shopping and escort duties for the blind, sick and mentally disabled.

Netherlands "Accountants' Day"

Opening the 42nd Accountants' Day of the Netherlands Institute of Accountants, held at Scheveningen last month, the President, Professor Dr. A. Th. de Lange, addressed the Dutch and foreign guests and broached the subject of the Government proposal to regulate the profession. He expressed satisfaction that the standard of attainment required would be not lower than that of the accountancy examinations now taken at the universities and the corresponding examinations of the Netherlands Institute. Dr. H. Albarda, President of the central council for foreign economic relations, spoke on the function of the *commissaris*—not quite the equivalent of the English director—in Dutch companies, and Mr. R. Besançon, M.SC.(ECON.), a member of the Institute, dealt in detail with the need for the accountant's advice and the minimum field he should be prepared to cover. The Institute of Chartered Accountants in England and Wales was represented by the President, Mr. C. U. Peat, M.C., F.C.A., with his daughter, Mrs. Avril Ropner, and by the Secretary, Mr. A. S. MacIver, M.C., and Mrs. MacIver.

State Building Society

The latest development arising out of the Jasper affair is the appointment of an inspector to look into and report upon the affairs of the State Building Society. The inspector is Mr. William Halford Lawson, C.B.E., F.C.A., a Council member and past president of the Institute of Chartered Accountants in England and Wales. Mr. Lawson began his investigation at once, but the thorough probe necessary may take some time. The appointment has been made by the Chief Registrar of Building Societies under Section 5 of the Building Societies Act, 1894, in consequence of a statutory declaration from Mr. Byk and other members of the shareholders' committee stating facts, with supporting evidence, which in their opinion call for investigation. The State Building Society had fourteen days in which to reply to the demand for investigation, and did so on November 5, but failed to convince the Chief Registrar that no investigation was needed. No decision was announced on the request of the same shareholders for a further meeting of the society.

Retail Milk Inquiry

The Committee set up by Mr. Hare, Minister of Agriculture, under the chairmanship of Sir Guy Thorold, to examine the present method of retail distribution of liquid milk is to include two accountants: Mr. Sidney John Pears, F.C.A., Vice-President of the Institute of Chartered Accountants in England and Wales, and Mr. Charles Ian Ritchie Hutton, B.A., C.A., who is in practice in London. The purpose of the inquiry is to determine the remuneration of distributors from the point of sale by the Milk Marketing Board or the producer to final delivery to the consumer.

Production Census

As announced by the Board of Trade in December last, there are to be sample annual censuses of production in the years between the detailed decennial ones, of which the latest was for 1958. An Order has now been made covering the census of production to be taken in 1960 in respect of 1959. The Order prescribes the matters concerning which returns are to be made. For 1960 the census will be similar except that sampling methods will be used.

EDITORIAL
Code for the Takeover

EVER since it became known that the Bank of England had suggested that the Issuing Houses Association and other bodies concerned with the London capital market should look into the development of the takeover and other forms of amalgamation, their report has been awaited with the greatest interest. It finally appeared and was given the fullest publicity at the end of last month, and there is no doubt that it is a very useful document. As was to be expected, the group, which comprises accepting houses, investment trusts, insurance companies, the clearing bankers and the Stock Exchange, London—but no representative of the Bank—as well as the issuing houses, had nothing to say against either the takeover as such, or any other form of amalgamation. These are "based on the best utilisation of physical capacity, managerial experience and available labour" and have "almost always proved to be in the national interest." What is required is a code of behaviour which will ensure the proper protection of those concerned, who are frankly acknowledged to be primarily the shareholders.

The memorandum accepts the principle that the directors of a company are the servants not only of the company but of its shareholders. The means of ensuring fair treatment to the latter are, broadly, the greatest secrecy up to the point at which a deal has been negotiated, and thereafter full and prompt information on the position of the company to be acquired—and, where the acquisition is in whole or in part by an exchange of shares, of the prospects of the projected amalgamation—and provision for a sufficient lapse of time (three weeks is suggested) between definite offer and the final date for acceptance, with a further period after the offer has become unconditional, for the benefit of the late-comer.

It is averred that the best channel of approach to the shareholders is through the Board of their company, who will also normally be the best source of advice to the shareholders. The Board should be informed of the identity of the principal on whose behalf the offer is made, and will be entitled to require evidence that this principal can command the resources to satisfy full acceptance. Adequate time should be allowed to the Board for these purposes and to establish the real value of the offer. Full information should then be given to the shareholders on the position of their company and the position and future policy of the offeror, and also on the extent of his present shareholding, if any, in the company to be acquired. If the Board rejects the offer or chooses between competing offers, it should give its reasons for so doing and also accord to the offeror facilities to make a direct approach to the shareholders individually. The memorandum is quite definite that the interests of the shareholders as a whole must prevail over those of any section of them, including the directors, whether shareholders or not. It is further laid down that normally the offer made should be for the whole of a class of shares and not for a part only. Non-voting shares and directors' compensation also receive comment. As to the former, the memorandum says that, while they may be justified in some conditions, they are not generally desirable. On the latter it is definite that shareholders should be given the fullest information on how proposed compensation payments have been worked out. In this matter the existence of service agreements may or may not be relevant. It should also be disclosed if directors who have lost their office are to be employed in some other capacity.

The memorandum deals only with recommendations for a code of behaviour, and contains no suggestion as to how this is to be enforced. Presumably the members of the associations involved will abide, and attempt to see that others abide, by the code they have laid down. But it is not easy to see how, except by abstaining from participation, they can do much in the case of an outside concern which decides to flout them. Nor is it clear how the shareholdings of an offeror can be known if he uses nominee holdings and refuses co-operation, or what can be done "to avoid disturbance in the normal price level of shares until the relevant information—as to the takeover terms—has been made available." To rely solely on a public bid would be more equitable than to buy shares in advance at various prices and then make a bid for the remainder, or some of them, and would probably mean that the price bid would be more moderate, but how would one ensure that early buying was avoided? One omission of a different character is the absence of any suggestion of restraint upon a Board of directors which takes doubtful action to defeat a bid.

The memorandum is, however, to be judged by what it includes rather than by its omissions; and these "Notes on Amalgamations of British Businesses" constitute a valuable addition to the literature on the subject. The authors stress the necessity for amalgamations if the economy is to remain healthy. The principle that it is for the shareholders to decide, but that they must be provided promptly with up-to-date information on all relevant matters, the demand for early advertisement of the main outlines of the proposal and the insistence on reasonable delays for consideration of facts must go very far to remove some of the abuses recently alleged against takeover bids. The suggestion that bids should be for the whole of any class of capital involved and the disapproval of the non-voting share are also very important. It is evident that many of the recent bids which have excited so much controversy offended against one or more of these requirements and that, while leaving the participants free to fight out any issue which arises, the new code will go a long way to prevent such acts as a wise referee would deplore.

A slightly condensed version of an address given last session to the London and District Society of Chartered Accountants

The Institute's Recommendations

by George F. Saunders, F.C.A.

A RECOMMENDATION OF the Institute is first drafted by the members of the Drafting Sub-Committee of the Taxation and Research Committee. It then goes to the fourteen regional committees, which criticise it and look at it from a practical aspect. It then comes back to the Drafting Sub-Committee of the Taxation and Research Committee, which gives consideration to all the points that have been raised. It then passes to the main Taxation and Research Committee, and when it has got the stamp of approval of this Committee it passes to a body known as the "Joint Representatives." That body generally consists of four members of the Taxation and Research Committee and four members of the Parliamentary and Law Committee. When they have altered the document and put their own ideas into it, it goes to the main Parliamentary and Law Committee. After that Committee has considered the draft, perhaps having made various drafting adjustments or possibly having sent it back for further reference on one or two points, the document is put up to the Council of the Institute, which considers it and gives it a final blessing. So before the document sees the light of day it has gone through a very fine sieve. These Recommendations are by no means messages from Olympus, which may be regarded as academic; they issue from the humdrum, everyday work of provincial and city practices and have been well watched and well sifted by those who, from day to day, are faced with these problems in one way or another.

It is hard to realise that it is only since 1942, when the Taxation and Research Committee was started, that anything in the way of Recommendations of this character has been brought out by the Institute. I think a great deal of good work has been done in those sixteen years, and I am sure a great deal more remains to be done. The original Recommendations led up to the contents of the Eighth Schedule of the Companies Act, 1948, and so, as many of these original points are now statutory requirements, no mention has been made in the revised Recommendations 18 and 19 of those items that are now part of the law. But as practice develops it leads to more Recommendations, because Recommendations are intended to cover what is known as the best practice.

Two Forms of Memoranda

You may be, perhaps, occasionally confused because the Institute's publications come in two different forms and you are not quite clear what is the difference. Recommendations are regarded as the "best practice"—in other words, something which is established practice. But if it is felt that the problem under discussion is so young that no rigid firm practice has developed, but there can be two or three practices which are equally correct, then the memorandum appears as "Notes." You will remember that the document dealing with group accounts appeared in this form rather than as Recommendations, because it was felt that the practice at that stage was not sufficiently clear. But it may well be that in a few years, when the practice is more established, a document on group accounts will come out as Recommendations.

To come briefly to the points in the Recommendations, I am proposing to deal only with those that show differences or new points which did not arise in some of the earlier ones.

New Definition of Balance Sheet

In Recommendation 18—the presentation of the balance sheet and the profit and loss account—the definition of a balance sheet that was submitted in evidence before the Cohen Committee has been supplanted by a new one. That appears in paragraphs 3 and 4. It first stresses the importance of the requirement to show a true and fair view of the state of affairs of the company on a particular date, and then says that this implies that there should be an appropriate classification of the items and, most important, that there should be a consistent application of generally accepted principles. It re-emphasises the historical nature of the document and actually points out that it is not intended to be a statement of the net worth. And that applies even when a revaluation has taken place, because a revaluation, as you know, is a matter of

opinion which will vary between one man and another. It applies only at a certain time: it may be reasonably appropriate at a given date, but in any subsequent balance sheet it would probably be quite inappropriate. In any event, the fixed assets of the business are not held for the purpose of realisation. So far as the current assets are concerned, the item which one might regard as being put in at a realisable value is the stock, if that is included at something less than the cost because it is expected to realise less. But the emphasis throughout has been placed upon the indication of the true and fair view.

Use of Reserves

Capital reserves are defined rather more extensively than in the old document. I think one of the most important points brought out in this Recommendation is that capital reserves are not sacrosanct.

The definition, as you know, of capital reserve is that it is something which is not, in the opinion of the directors, available for distribution as dividend. This is particularly applicable to amounts set aside for extensive replacement of assets. But at some later stage this reserve might no longer be required, and there is nothing in the law or in accountancy practice to prevent any part of the amount from being brought back to revenue reserve. This adds strength to what appeared in one of the earlier Recommendations: that the sub-division of reserves should be discouraged. It was interesting to note recently that Boots Pure Drug Company carried to general revenue reserve the entire balance of the profit and loss account, so that in its balance sheet you see no balance on profit and loss account: each year is left to be treated entirely by itself. I am sure this line should be encouraged. The very purpose for which reserves are created is to meet any deficiencies in the current year.

If you look at some of the numerous titled reserves in balance sheets, how many of them will you find used for the purpose for which they were originally designed? One of the most famous is our old friend the dividend equalisation reserve. This, if it is to be really effective, must be represented by funds invested outside the business; otherwise, by the time you need to draw upon the dividend equalisation reserve you will not have the money available to pay the dividend. In any event, the reserve is seldom used for its original purpose.

Additions to, and withdrawals from, the revenue reserves should, as far as possible, be passed through the profit and loss account, so that any summary of the profit and loss accounts over a period gives a full account of these transfers and none of them is lost. Transfers between the revenue reserves may be excluded and made direct, but they should at least be mentioned in the balance sheet, or in the notes on the accounts.

It is important that the sub-total of capital and reserves which usually appears on every balance sheet should be shown in a manner consistent with the definition of the balance sheet. A description applied to that sub-total should in no way indicate net worth or a statement of values: if a label be attached to it it should be of a factual nature, merely stating "capital and reserves."

Then we come to the amount set aside for future income tax. In the original Recommendations there were two alternatives given: to show it either as a reserve or separately as a deferred liability. But, after the Companies Act, 1948, we took Counsel's opinion and were advised that it was incorrect to describe it as a "deferred liability." Gradually, as time went on, a more nebulous description was adopted: the amount is not now grouped with either reserves or liabilities. We still hope that one of these days some enlightened Chancellor of the Exchequer will take notice of the recommendations which the Institute makes in its memoranda to the Chancellor, and we shall find that company taxation is based upon an accounting period. When that time comes, many of the problems of showing future tax in our balance sheets will have disappeared, and then it could be put into reserve without any liability attached.

But since the original Recommendation there has been an addition to the "amount set aside for future tax." It now includes also the amount set aside to cover the tax deferred by capital allowances. An earlier Recommendation dealt with this aspect insofar as initial allowances were concerned. But now the practice is being widened to cover a bigger field—to cover cases where the rates of tax have varied since the allowance was given, and also where the assets have been revalued or are not dealt with on exactly the same basis.

Revaluation of Assets

On a revaluation of assets, the depreciation charged in the accounts will normally be found to be greater than the capital allowances, and the tax charge will therefore be out of proportion to the profits shown in the accounts. Some people hold the view that the difference should be adjusted in the amount set aside to cover capital allowances, but the difference is in no way due to any deferment of tax. It arises solely because the assets have been written up, and the charge in future years on the higher valuation is greater than on the cost basis which may have applied for tax. So if any adjustment is to be made, and that may well be appropriate, either it should be done by drawing back over the period from the surplus arising on the revaluation sufficient to counterbalance this effect; or, alternatively, the amount originally set aside might be earmarked partially for this purpose. If you accept this last view, it seems that the purpose of writing up your assets and getting a more up-to-date charge for depreciation in your accounts has been, to a large extent, defeated.

Provisions must be Reasonable

The reasonableness of provisions is an item which appears in paragraph 20 of Recommendation 18. You may think it is strange that we should even consider mentioning this. But, as you know, paragraph 27 (2) of the Eighth Schedule to the Companies Act provides that any excess provision over what in the opinion of the directors is reasonably necessary for the purpose shall be treated as a reserve and not as a provision. We discovered that in some of the country regions and in some of the provincial

cities directors were interpreting that paragraph somewhat autocratically, holding that it was entirely a matter of opinion for the directors, which the auditor had no right to qualify or criticise in any way. So it is now indicated in the Recommendation that an opinion expressed by the directors should be based on a consideration of all relevant information and have regard to recognised accounting principles. I hope that this may be of some assistance to those auditors who find their directors are acting somewhat arbitrarily in bringing under the heading of a provision sums which ought to be disclosed as reserves.

Capital Expenditure Contracts

Future capital expenditure is a term which appeared first after the enactment of the Companies Act, 1948. There may be a little confusion about exactly what is meant. The Act requires contracts for capital expenditure to be indicated by a note when not included in the accounts. Some accountants favour the word "commitments," but "commitments" in my view goes further than "contracts." If you go as far as what I would describe as a commitment, then you should indicate the extent to which it is covered by the contracts. If a client is erecting a factory and has placed contracts for the steel required but not for the many other materials and services necessary, it would give a false impression if amongst the capital commitments only the amount of steel contracted for was shown without any reference to the vast sums that would have to be laid out before the job could be completed. But if you are going to give the total sum involved, as I think one should, it is necessary to indicate the proportion which is contracted for and which is required by the Act to be shown.

Consistency and Comparative Figures

In the profit and loss account the main emphasis is on the "true and fair view," particularly of the profit or loss for the year. It should be drawn up on a consistent basis so that it affords comparisons with previous years. But no reference is made in the Recommendation to the style of the account. The general indication is that the account shall be split into three, showing first the profit of the year before tax; next the tax on profits of the year, with extraneous items and any taxation adjustments; and, finally, the appropriations and the dividends. But in no way is it indicated whether this should be done in columnar form or in double-sided form. This is left to free choice, but I think in most cases you can insert these necessary descriptions much more readily in the columnar profit and loss account than in the double-sided form.

Another item, which appears for the first time in paragraph 51 in the Recommendation, is subvention payments. They were not in existence when the earlier Recommendations were published. It is now indicated that in the accounts of parent companies there is no need to show subvention payments made or received. After all, they are in the same category as the dividends which the parent company receives from its subsidiaries, which are merged in the group accounts. But in the accounts of the subsidiary the subvention payment should probably be shown, unless because of the somewhat arbitrary transactions and dealings between the group the information serves no useful purpose or might perhaps be misleading.

Comparative figures apply, of course, to the notes just as much as to the particulars shown in the accounts. And where there has been a substantial change in the basis of the accounting during the period, for example in the method of valuing stock-in-trade, a clear indication should be given of the change that has taken place so that nobody can be misled.

Surprisingly enough, some people imagine that there is no need to total the comparative figures and to give a comparative figure each year for every item. I came across a balance sheet not long ago in which that practice was adopted. It seemed very strange that two figures of investments were a long way from balancing, until I discovered that a substantial investment which had been held in the previous year had since been sold and the money used for building and to reduce a bank overdraft. The accountant thought it was unnecessary to show the comparative figure. But, obviously, you must show the comparative figure, even if it is nil in the current year.

The notes on the accounts should be cross-referenced so that when you are glancing at the accounts you can see what notes are relevant. And, whereas the directors' report is a document likely to be attached to the accounts and can be used and referred to for information relevant to the accounts, that does not apply to the chairman's statement. So do not allow yourselves to be led up the garden path by accepting an insertion in the chairman's statement of something which you feel ought to be referred to in the accounts or the directors' report.

Treatment of Income Tax

Recommendation 19 concerns the treatment of income tax in the accounts of companies. The earlier paragraphs are devoted to setting out briefly the historical basis of this charge for tax. The earlier Recommendation some fifteen years ago dealt with a practice which was largely current at that time, but has now practically disappeared. Only one practice is adopted today of providing tax on the profits of the year.

A new paragraph concerns the method of dealing with Section 341 claims. The Recommendation now sets out the procedure where relief is, and where it is not, dealt with in the accounts of the year in which the loss is incurred. Later it is suggested that where the amount of relief is less than the amount of tax deducted from other sources of income, the relief should be deducted and any charge for tax shown in the accounts. But where the relief exceeds the tax charged it should be shown as a recovery, and in the balance sheet the amount should be either deducted from the liability or the future tax reserve or else brought in as an asset, whichever is the more appropriate method of dealing with it. Where it is not dealt with in the year of the loss there should be a note that tax

which can be subsequently recovered is not included and will be brought in at some future date, and when brought in it should be suitably described. The note should indicate clearly that the relief depends upon the earning of profits by the company in the future.

I referred just now to the amount of future tax reserve to be set aside in respect of initial allowances. There is a demand, quite rightly I think, that the amount of tax charged in the accounts should bear an appropriate relation to the profits shown in the accounts, and any divergence should be explained and properly indicated.

If there is a variation between the tax and profits, this is quite rightly dealt with by taking the written-down value of the assets for taxation purposes and taking the depreciated book value of the same assets for accounting purposes, and then, if the book figure is in excess of the tax figure, the tax on that difference should be set aside so that it can gradually be brought back as these two figures merge together. There will then appear the true relation of the tax charge to the profits throughout the period. But there are one or two small points to be remembered. Assets must obviously be excluded if they are not eligible for capital allowances for tax purposes. It must also be borne in mind that the tax relief on the capital allowances may not have been received by the company because the profits have not been sufficient to absorb them. The adjustment should have regard only to those allowances which have been effectively given. If the figures are reversed and the written-down value for tax purposes is higher than the written-down value for accountancy purposes, then no adjustment is required, because the future years are going to have bigger capital allowances for tax purposes and the difficulty will not arise. Investment allowances do not fall to be dealt with in the same way because they do not defer payment of tax.

It may be necessary also to give a clear indication where there are substantial assets which do not qualify for allowances for tax purposes. But usually this arises with mines, quarries or various other forms of assets where it is abundantly clear without needing to be stressed in detail.

Treatment of Investments

The final recommendation is Recommendation 20, which deals with the treatment of investments in the balance sheets of companies. It is designed to exclude banks, assurance companies, investment trust companies and companies dealing in shares and investments.

Here the first thing to emphasise is the true and fair presentation of the accounts. Investments may be fixed or current. If they are fixed, they are probably held to earn revenue and not for the purpose of sale. They may be trading investments. They may be investments in subsidiary companies; but if these are dealt with as fixed assets they must observe the rules for fixed assets under the Companies Act.

Because of their nature it may well be more appropriate for investments to be grouped separately and treated as a fixed asset but not grouped with other fixed assets such as land, buildings and plant.

If they are current assets they should be readily realisable, representing funds not immediately required. "Readily realisable" is important. You may have funds not immediately required in the business, but it would be wrong to describe them as current assets unless they can be converted into cash. Usually among current assets the current value of the investments is shown by way of a note. But if there is depreciation which is anything more than temporary, then unless the amount of the depreciation is provided for in the accounts, the value of the investment is overstated. Not everybody knowing the difference between the market and the book values would appreciate that the real value of the reserves had been depleted because of a permanent fall in the value of the investments.

Provision for losses on investment can be made in three ways: by taking all the investments in aggregate and providing for the shortage over the whole; by subdividing them into groups so that each group's profits and losses are off-set; or by dealing with each investment separately and providing for losses on each separate item, disregarding completely the surplus which might arise on some of the others. All these methods may be appropriate and perfectly correct.

But, as far as fixed investments are concerned, there is probably no occasion to provide for any loss unless one is satisfied that it is of a permanent nature, when it most certainly should be noted.

Inter-company Matters

Investments in subsidiary companies are generally shown in a separate group by themselves, and this group includes also the inter-company indebtedness. But to show a true and fair view it may be necessary to separate the short-term advances and the amounts due on current account and show those that are immediately realisable with the current assets, rather than in this separate group as a fixed asset. If a proposed dividend is going to be taken up in the accounts of the parent company, as is usual, and paid over in cash, then it is quite appropriate that it should appear as a current asset. But do not let it appear as a current asset if the intention is that it shall be merely added to the inter-company account and not paid over in cash.

One further point brought out in this Recommendation is the meaning of cost where shares are purchased and the consideration is satisfied partly by the issue of the holding company's own shares. It is inappropriate that the cost of the purchase shall be treated as the nominal value of the shares, but full regard should be had to the value of the shares exchanged and to the capital reserve in the form of the share premium account raised to cover the increased value of the shares over the nominal value.

Finally, there is the question of trade investments. Many quite substantial trade investments closely resemble holdings in subsidiaries. But the company may have ploughed quite a lot of money back into its profit and loss account and distributed a very small proportion in dividends, and only that small proportion distributed in dividend appears in the group account. It is necessary in these

circumstances to give some indication that the earning power of this trade investment is substantially more than what is included in the accounts.

Conclusions

I have endeavoured to mention the main differences between these new documents and those they replace, and I hope members will take the opportunity of looking through them and reminding themselves of many of the little points mentioned.

When you get these green sheets to put into the binders, you probably feel that if you look at them in the binders it is rather tedious to turn them over; and if you read them in the train on the way home before you put them in the binder you may spoil their appearance. So we are going to try to produce for sale a small temporary binder* which will enable you to keep them clean when perusing them before putting them into the permanent binder, where, I hope, they will last well. When these documents become a second volume, I hope they will prove a real standby and friend for every member of this Institute, whether in practice or in industry.

* Now available from the Institute, price 2s.

The relation between liquidation and execution is complicated, and the relative rights of the liquidator and the general creditors on the one hand, and of the sheriff, his officers and an execution creditor on the other, a complex affair. The following article disentangles the various strands in a case which set a puzzle of particular complexity.

The Liquidator and the Execution Creditor

By W. H. D. Winder, M.A., LL.M.

THE RELATIONSHIP BETWEEN liquidation and execution is a complicated one even when the process of liquidation has begun because of insolvency, actual or threatened. The process of execution is suggestive of insolvency, but liquidation need not be so. In any event somewhat complex rules determine the relative rights of the liquidator and general creditors, on the one hand, and the sheriff, bailiff and execution creditor, on the other. The company as such is spared the unravelling of these rules.

The liquidator in a creditors' voluntary winding up set a puzzle for the High Court in the case of *In re Walkden Sheet Metal Co. Ltd.* ([1959] 3 W.L.R. 616). The case, so far as consideration of Section 325 (1) of the Companies Act, 1948, was required, appeared to Mr. Justice Wynn-Parry to raise a new point. The liquidator's claim also involved the consideration of Section 326 (1) and (2). The claim was that he, as liquidator, was entitled to a sum of money which was in the hands of the sheriff, the money having been paid by the company before the liquidation started. What happened was that on April 2, 1958, a creditor of the company sought to enforce a judgment against it in the usual manner by issuing a writ of *fieri facias* (commonly called a writ of *fi. fa.*) on that date. On April 21, 1958, the company paid £500 to the bailiff in respect of the company's indebtedness of £1,532 and undertook to pay off the balance by further instalments. No instalments were in fact paid. On May 8 of the same year notices were received by creditors and shareholders for the purpose of a voluntary winding up of the company. On May 16 the company went into voluntary liquidation and the liquidator was appointed.

The liquidator was naturally interested in the money already paid over to the bailiff, the bulk of which was retained by him or by the sheriff. The bailiff had paid off a small debt out of the money which he had received, leaving a net sum of £448 16s. 10d. On May 20 the liquidator wrote to the under-sheriff notifying him that the company was in liquidation and requesting him to hand over this balance. The balance was actually transmitted by the bailiff to the under-sheriff on May 27. It was not disputed that the company paid the £500 to avoid a sale of the company's effects under the *fi. fa.* execution process.

The liquidator based his claim on three distinct provisions of the Companies Act, but none of these was held to avail him in the circumstances. The result was that the execution creditor had the benefit of the money paid instead of its going in discharge of the debts of the general creditors.

Money paid to avoid sale

Section 326 (2), which deals expressly with money paid to

avoid sale, was finally held to be the statutory provision that governed the case. It provides that in some situations the sheriff shall pay over money in his hands to the liquidator, who shall be entitled to retain it as against the execution creditor. Subject to the provisions of sub-Section (3), Section 326 (2) provides that

> where under an execution in respect of a judgment for a sum exceeding twenty pounds the goods of a company are sold *or money is paid in order to avoid sale*, the sheriff shall deduct the costs of the execution from the proceeds of the sale or the money paid and *retain the balance for fourteen days, and if within that time notice is served on him* of a petition for the winding up of the company having been presented or of a meeting having been called at which there is to be proposed a resolution for the voluntary winding up of the company and an order is made or a resolution is passed, as the case may be, for the winding up of the company, the sheriff shall pay the balance to the liquidator, who shall be entitled to retain it as against the execution creditor. [Our italics.]

It was vital to know when this statutory period of fourteen days began. For the liquidator it was contended that the period began on May 27 when the bailiff transmitted the balance of the money in his hands to the under-sheriff. If that contention was correct, then the period had not elapsed by the time the notices of meetings for voluntary liquidation were received on May 8. On the other hand, the creditor argued that the period of fourteen days started on April 21, when the company paid the money to the bailiff: in that case the period of fourteen days had expired before May 8.

Wynn-Parry, J., agreed with the argument of the liquidator to the extent that the bailiff was not a person falling within the definition of "sheriff" in Section 326 (4). But he was an "officer to the sheriff," was employed by him and was responsible to him. It followed that even though he made an arrangement to receive money on behalf of the creditor, he must, as the money was paid by the company in order to avoid sale, be regarded as receiving money for the purposes of Section 326 (1) on behalf, in the first instance, of the sheriff. On that basis, just as the sheriff would be bound, so he, on behalf of the sheriff, would be bound to retain the money for the statutory period of fourteen days. But, on that reasoning, it followed that the statutory period started on April 21. And on this basis it had expired before receipt by the under-sheriff of the notice of the meeting of May 8.

The only sensible construction to place on the sub-Section, thought Wynn-Parry, J., was to say that once the debtor pays to an officer of the sheriff a sum of money in order to avoid sale, time begins to run in favour of the creditor. "Any other interpretation," he continued, "must result in unfairness to the creditor. The policy of the legislature is that, after payment, only a limited period is to elapse before the creditor is to have the benefit of the payment. It cannot be right that where, through events quite beyond the control of the creditor, the money is not paid by the officer of the sheriff to the sheriff for some time—with the result that the sheriff does not actually handle the money until a date within fourteen days of receiving the notices of meetings for liquidation—the period shall be treated as starting from the date of actual receipt by the sheriff and the creditor thus be deprived of the right to receive the money."

"The benefit of the execution"

Where a creditor has issued execution against the goods or lands of a company or has attached any debt due to the company, and the company is subsequently wound up, he is not entitled "to retain the benefit of the execution or attachment against the liquidator in the winding up of the company unless he has completed the execution or attachment before the commencement of the winding up." This general rule, laid down in Section 325 (1) of the Companies Act, is subject to several provisos, but none of these was vital to the question in *In re Walkden Sheet Metal Co. Ltd.*

It is established that the phrase "the benefit of the execution" does not refer to "the fruits of the execution," but to the charge which is conferred on the creditor as a result of the issue of execution. It is further clear that any money received by the sheriff or his officer and actually paid over to the creditor is outside the charge. The question that, up to the recent case, does not appear to have arisen for judicial decision, is: what is the position of money paid to the sheriff or his officers in order to avoid sale, where the money still remains in the hands of the sheriff or his officer at the commencement of the winding up?

The answer given to this question by Wynn-Parry, J., was that "money so paid does not come within the charge created by the issue of execution; it is outside it; it is paid to prevent the charge operating, at any rate *pro tanto*, on the property of the debtor; and therefore it is not included within the phrase 'the benefit of the execution' in Section 325 (1)." The conclusion followed that the liquidator could not rely on that Section in support of his claim.

Execution properly so called

Nor could he rely on Section 326 (1), which is the liquidator's great support in cases of prior execution. Section 326 (1) reads:

> Subject to the provisions of sub-Section (3) of this Section, where any goods of a company are taken in execution, and, before the sale thereof or the completion of the execution by the receipt or recovery of the full amount of the levy, notice is served on the sheriff that a provisional liquidator has been appointed or that a winding up order has been made or that a resolution for a voluntary winding up has been passed, the sheriff shall, on being so required, deliver the goods and any money seized or received in part satisfaction of the execution to the liquidator, but the costs of the execution shall be a first charge on the goods or money so delivered, and the liquidator may sell the goods or a sufficient part thereof, for the purpose of satisfying that charge.

This sub-Section was held "to be dealing entirely with execution properly so called." The vital words are "before the sale thereof or the completion of the execution." This phrase is followed by the words "by the

receipt or recovery of the full amount of the levy," but later reference is made to "any money seized or received in part satisfaction of the execution."

It was held that "money paid in order to avoid sale is not money paid in or towards satisfaction of the execution, but money paid to prevent or halt the execution, and therefore, when the Section refers to money received, it is not talking of money received to avoid sale but of money received in the carrying out of the execution." Moneys paid in order to avoid sale do not fall within the purview of Section 326 (1). They do fall within the purview of Section 326 (2), but then there is the operation of the fourteen-day time limit which defeated the liquidator in *In re Walkden Sheet Metal Co. Ltd.*

The powers of the Chancery Division of the High Court to rearrange trusts are in part ancient, in part statutory even before the Act of 1958, and in part determined by that Act. But the precise limits of the powers are hazy. The following article sets out a number of decisions which give a fair definition to these powers as used in practice, and takes up the question of extension of powers of investment.

Variation of Trusts

[CONTRIBUTED]

LONG BEFORE THE Variation of Trusts Act, 1958, was enacted, the Chancery Division of the High Court of Justice had enjoyed, apart from certain statutory powers in that respect, an inherent jurisdiction to approve a transaction involving a rearrangement of trusts. Unfortunately, the precise extent of this jurisdiction was none too clearly defined.

In *Chapman* v. *Chapman* [1954] 1 All E.R. 798—a House of Lords case—it was contended by counsel for the appellants that the court had unlimited inherent jurisdiction to modify or vary trusts, provided only that (*a*) all persons interested who were *sui juris* consented, and (*b*) the modification or variation was clearly shown to be for the benefit of all persons interested who were not *sui juris*. This contention was supported by a number of cases, reported and unreported. The House decided, however, that the inherent jurisdiction extended only to cases in which the court (i) effects changes in the nature of an infant's property from real to personal estate and vice versa; (ii) allows trustees of settled property to enter into some business transaction, as an emergency measure, which was not authorised by the settlement (known as the "salvage cases"); (iii) allows maintenance out of income directed to be accumulated (on the principle that there is little sense in allowing an infant to starve while the harvest designed for him is ripening) and (iv) approves a compromise on behalf of infants and possible after-born beneficiaries—a compromise, in this connection, meaning an agreement relating to disputed rights but not one where there is no real dispute as to rights. However, the court was not bound to reject a proposed compromise if its effect might be to reduce the possible liability of some of the parties to estate duty.

Their Lordships said that, although there were cases which undoubtedly pointed to a wider jurisdiction, such cases were not binding on the House and were to be regarded as exceptions to the general rule. The decision came as a surprise, not the less so because some of the judges of the Chancery Division had for years past acted under the impression that they possessed wider powers. If all the beneficiaries under a trust are adult and identified, they may agree among themselves to vary or put an end to the trust; but where some of the beneficiaries are unascertained or are under some disability it has always been necessary for those beneficiaries who are *sui juris* and propose an arrangement to obtain the court's approval of that arrangement.

Result of the decision

In *Chapman* v. *Chapman* the trusts had been so framed that estate duty would become payable on the deaths of the settlors, and the object of the application was to effect a saving of duty. It was proposed that the trustees of the settlement, with the sanction of the court, should advance the trust funds to the trustees of a new settlement which was to contain similar trusts, but omitting a provision for common maintenance. If the case came within the inherent jurisdiction of the court at all, it would fall within the "compromise" category, but it did not so fall because there was no real dispute as to rights. The proposed rearrangement would, in fact, confer a benefit on all concerned. The case therefore revealed a gap

in the inherent jurisdiction of the court. The question was considered by the Law Reform Committee, and the Sixth Report of that Committee (Cmd. 310) resulted in the Variation of Trusts Act, 1958, which in effect reverses the decision of the House of Lords in *Chapman* v. *Chapman*.

Earlier statutory powers

The statutory powers previously enjoyed by the court and which supplemented its inherent jurisdiction arose under four different Acts. Section 57 of the Trustee Act, 1925, authorised specific dealings with the trust property which the court might have felt itself unable to sanction under its inherent jurisdiction, either because no emergency had arisen or becasue the circumstances which had arisen could have been foreseen by the creator of the trust. Broadly speaking, however, a transaction, to fall within the terms of the Section, must concern the trust property itself, not the interests of the beneficiaries, and the provision did not disturb the rule that the court "will not rewrite a trust." Consequently, in *Chapman's* case, the Court of Appeal held that it had no jurisdiction under Section 57 to sanction the proposed scheme, because it involved the alteration or remoulding of the trusts, and the House of Lords affirmed this decision.

Section 64 of the Settled Land Act, 1925, as amended, permits a transaction affecting settled land which, in the opinion of the court, would be for the benefit of the settled land, or any part thereof, or the persons interested under the settlement, to be effected by the tenant for life under an order of the court, provided it is one which could have been validly effected by an absolute owner. Under this Section the court has power in the case of settled land or land held on trust for sale to approve a variation of the trust on behalf of an infant or potential beneficiary.

Section 25 of the Matrimonial Causes Act, 1950, gives the Divorce Court a wide jurisdiction, after pronouncing a decree of divorce or nullity, to vary the beneficial trusts contained in any ante-nuptial or post-nuptial settlement made on the parties whose marriage is the subject of the decree; while Section 171 of the Law of Property Act, 1925, empowers the court to direct a settlement to be made of the property of a lunatic or defective on such trusts and subject to such powers and provisions as the court may deem expedient.

There was thus a lack of statutory power (bearing in mind the limitations of Section 57 of the Trustee Act, 1925) to vary settlements of personalty (in contrast with settled land) where the parties concerned were not divorcees or lunatics—a lack prompting the Law Reform Committee, in its Sixth Report, to ask:

> Why should an infant whose parents are happily married be in a worse position than a lunatic, or an infant whose parents are divorced? Why should it not be possible to arrange the affairs of all infants to their best advantage? Why should anyone be prevented from arranging his affairs to his best advantage by reason of some potential beneficiary who (if he ever acquires an interest) would be equally benefited by the arrangement?

Whilst expressly saving the powers given by the three Acts of 1925, the Variation of Trusts Act, 1958, confers on the court jurisdiction to sanction a variation of trusts of both real and personal property so as to give beneficiaries the maximum advantage, provided one or more of the conditions prescribed by the Act is fulfilled.

The Act of 1958

The new Act comprises only three Sections and the kernel of the whole is in Section 1 (1). This sub-Section, as slightly abbreviated, reads as follows:

> (1) Where property, whether real or personal, is held on trusts arising, whether before or after the passing of this Act, under any will, settlement or other disposition, the court may if it thinks fit by order approve on behalf of—
>
> (*a*) any person interested under the trusts who by reason of infancy or other incapacity is incapable of assenting, or
>
> (*b*) any person (whether ascertained or not) who may become entitled to an interest under the trusts at a future date, or
>
> (*c*) any person unborn [meaning any person who, if born, would be interested under the trusts], or
>
> (*d*) any person in respect of any discretionary interest of his under protective trusts where the interest of the principal beneficiary has not failed or determined,
>
> any arrangement (by whomsoever proposed, and whether or not there is any other person beneficially interested who is capable of assenting thereto) (i) varying or revoking all or any of the trusts, or (ii) enlarging the powers of the trustees of managing or administering any of the property subject to the trusts:
>
> Provided that except by virtue of paragraph (*d*) of this sub-Section the court shall not approve an arrangement on behalf of any person unless the carrying out thereof would be for the benefit of that person.

It will thus be seen that the new powers are widely drawn, but the court cannot vary a settlement where adult beneficiaries oppose the variation. The Act merely confers power to assent on behalf of those who cannot do so themselves. Also, it was held in *Re Steed's Will Trusts, Sandford* v. *Stevenson & Others* [1959] 1 All E.R. 609, that "arrangement" in Section 1 (1) means something arranged between two or more persons and that the power given to the court to approve an arrangement does not give it jurisdiction to override the discretionary powers of responsible trustees who wish to exercise them. Another interesting point, which emerges from *Re Coates' Will Trusts* [1959] 2 All E.R. 51 and *Re Byng's Will Trusts* [1959] 2 All E.R. 54, is that applications to enlarge the investment powers of trustees should now be made under the Act of 1958 and not under Section 57 of the Trustee Act, 1925. Such applications may be either to add a few words to an existing clause or to substitute an entirely new investment clause.

The object of sub-Section 1 (*b*) is to enable the court to approve an arrangement on behalf of a beneficiary where the obtaining of his consent is prevented not by disability but by uncertainty as to his identity. A person may be unascertainable either because he cannot be traced or because the disposition is made in favour of

persons of a specified description or class and the identity of such persons can be established only on the happening of an event which has not yet occurred. The paragraph does not cover the case of an adult beneficiary who cannot be traced, and persons of the specified description or class who are *sui juris* and would take if the determining event had happened at the time of the application to vary must agree to the variation, but the court can act on behalf of any other persons. Sub-Section (1) (*d*) is intended to enable the court to disregard a shadowy interest under a discretionary trust of a person, even if he is ascertained and of full age, who might obstruct an arrangement which is for the benefit of everyone really concerned. "Protective trusts" means the trusts specified in Section 33 (1) (i) and (ii) of the Trustee Act, 1925.

Saving estate duty

What, then, is the practical value of the Variation of Trusts Act from the standpoint of the accountant? In the first place, a successful application under the Act may be instrumental in saving estate duty, income tax or surtax. *Chapman's Settlement Trusts* (*No. 2*) [1959] 2 All E.R. 47 was the first case to be brought before the court under the new Act and was concerned with the same settlements that had been in issue in *Chapman* v. *Chapman* in 1954. All the settlements were for the benefit of grandchildren and contained a clause that for twenty-one years after the death of the settlor the whole of the income of the trust funds was to be held on discretionary trusts for the maintenance of the grandchildren as a class. The result was that the grandchildren could not claim the capital until twenty-one years after the death of the settlor and that the property would pass notionally on that death for estate duty purposes.

It was for the benefit of each grandchild to get rid of the discretionary trusts and to have the capital of the trust funds vested in possession on his or her attaining the age of twenty-one, while at the same time effecting a likely saving of estate duty. The arrangement for which the court's approval was sought provided for the extinguishment of the discretionary trusts for common maintenance of the children and accumulation of income, and the adoption in their place of the statutory power of maintenance and accumulation under Section 31 of the Trustee Act, 1925. Vaisey, J., made an order accordingly, approving a scheme for the variation of the trusts, on behalf of infant beneficiaries and any unborn children who would be beneficiaries.

In *Re Roberts' Settlement Trusts* (*The Times* newspaper, February 27, 1959), the same judge approved an arrangement for the variation of a charitable trust by the addition of a clause excluding the settlor or his wife from taking any benefit under the settlement: the effect was that the trust income would not be treated as the income of the settlor under Section 22 of the Finance Act, 1958.

Remote interests

Sometimes beneficiaries are substantially entitled to the entire settled funds but cannot deal with them because of some remote interest which it is improbable can ever come into operation. A case in point was *Re Rouse's Will Trusts* [1959] 2 All E.R. 50. The whole of the trust funds were settled by the respective wills of the applicant's parents to pay the income thereof to the applicant during her life, and subject thereto as she should by will or codicil appoint, and in default of appointment for her next of kin. If the power of appointment had included a power to appoint by deed, she could have appointed in her own favour and made herself mistress of the trust funds, but a will is a revocable instrument, so she could not do this during her lifetime. The applicant, who was fifty-three years of age and a spinster, desired to be able to resort to capital from time to time and was prepared to confer benefits on her next of kin (who consented to the proposed arrangement) in return for a release of some part of the capital. The court approved on behalf of the persons who would constitute the class of the applicant's next of kin at her death (ascertained as if she had died a spinster), a scheme varying the trusts of the wills of the applicant's parents whereby she released her power of appointment over part of the trust funds and in exchange was allowed to take a portion of the capital absolutely.

Protective and discretionary trusts

In *Re Poole's Settlement Trusts* [1959] 2 All E.R. 340 one moiety of two funds was held upon protective trusts for a father with remainder to his only son. If the father forfeited his life interest in accordance with the provisions of Section 33 of the Trustee Act, 1925, discretionary trusts would come into operation, the objects being his wife, children and more remote issue. The son had one child, a daughter, who was an infant. Application was made to the court for approval under sub-Section (1) (*d*) of the Act of an arrangement whereby the protective trusts applicable to the moiety of the trust funds would be varied so as to create absolute interests in the father and his son, subject to the raising of sums for the benefit of the son's daughter on her attaining twenty-one years of age or marrying under that age. Roxburgh, J., said he did not see why, if the infant daughter was to have something, a future brother or sister of hers should get nothing. The arrangement was accordingly varied and, as finally approved, provided for £1,250 of the moiety to be held on trust for such of the son's children, born in the father's lifetime, as should attain the age of twenty-one, or, being females, marry under that age, and, if more than one, in equal shares. The balance was to be held as to one half upon trust to pay £875 for an assurance policy for £5,000 on the life of the father if he should die within five years, and to discharge the arrears of surtax owed by him, and then for him absolutely; and as to the remaining half upon trust for the son absolutely.

In *Re Turner's Will Trusts, Bridgman* v. *Turner* [1959] 2 All E.R. 689—which also concerned protective and discretionary trusts—a question arose as to whether "any person" in sub-Section (1) (*d*) includes an unborn or unascertained person who will take under the dis-

cretionary trust, since in sub-Seection (1) (*b*) the words "whether ascertained or not" have been inserted, while sub-Section (1) (*c*) deals with an unborn person in terms. Danckwerts, J., held that unborn and unascertained persons were not excluded and he approved an arrangement on behalf of any future husband of and any unborn children of the person entitled to the protected life interest.

Extension of powers of investment

A substantial proportion of the applications so far made under the Act of 1958 has been for the purpose of empowering trustees to invest outside the authorised range of trustee investments prescribed by the Trustee Act, 1925. In *Re Poole's Settlement Trusts*, Roxburgh, J., said:

> It is not my duty under this Act to formulate, or to assist in the formulation of, a scheme, but merely to sanction or not to sanction one. If I am not satisfied, the scheme will not be sanctioned, but without prejudice to an amended scheme being brought before me,

while in *Re Byng's Will Trusts* [1959] 2 All E.R. 54, Vaisey, J., remarked:

> I wish it to be known that one of two possible courses may be followed. One is to add a few words to the existing clause, and the other is to redraft the whole investment clause, embracing the existing clause but excluding all dead wood, and adding the new powers. In the great majority of cases the more convenient course is to produce a new clause.

The practice, thus, is for the court to sanction, with or without qualification, such variation of an existing investment clause or such substituted clause as is placed before it. Consequently, to date, new investment clauses are not distinguished by any great measure of uniformity.

In *Re Rouse's Will Trusts* the court approved an investment clause in the following general terms:

> Notwithstanding the (trusts of the parents' wills) any moneys forming part of (the trust funds) hereafter requiring investment may be invested in the purchase of, or at interest upon the security of, such stocks, funds, shares, securities or other investments or property of whatsoever nature and wheresoever and whether authorised by law for the investment of trust funds or not as the trustees in their absolute discretion shall think fit.

Generally, however, a long list of the different categories of permitted investments is set out in a schedule to the court's order (see, for example, *Byng's Will Trusts*, page 58). In *Coates' Will Trusts*, the list included the units of any authorised unit trust, while in *Re Thomas's Settlement Trusts* [1959] 3 Current Law, para. 429, permission was given to invest in land in England and Wales. Sometimes a condition is imposed that the trust's investments shall be reviewed by a stockbroker once every twelve months, and in *Re Brocklehurst's Will Trusts* (1959) 4 Current Law, para. 490 (*a*) there was a proviso that should the Public Trustee cease at any time to be a trustee of the trusts, the extended powers of investment should not be exercisable without a further order of the court.

As was reported in ACCOUNTANCY for June (page 307), in a debate on charitable trusts in May the Lord Chancellor stated that the Government had abandoned paragraphs 17 and 18 of the White Paper on Charitable Trusts (Cmd. 9538) "in favour of legislation dealing with trustee investments generally instead of investment by charity trustees alone." This was a matter of great importance affecting the private fortunes of a great many individuals and organisations and was not to be approached lightly. A comprehensive scheme was being evolved and a public announcement would be made shortly.

What is indeed needed is a revised and up-to-date list of trustee investments, but it is not suggested that a new statutory list of such investments will render unnecessary any further applications for extended powers of investment under the Act of 1958. There will doubtless be special circumstances where such applications will continue to be made. Meanwhile, in *Re Royal Naval and Royal Marine Children's Homes, Portsmouth*; *Lloyd's Bank, Ltd.* v. *A.-G.* [1959] 1 W.L.R. 755, Roxburgh, J., said that in view of the Lord Chancellor's announcement any further orders made to enlarge the range of investments for charitable funds should be interim orders only, limited to take effect until the law regulating the investment of trust moneys generally should be amended.

If it is still believed that the English Accountant of early days knew little of either business or the keeping of adequate accounts, this article will help to dispel the idea. Stephen Monteage, accountant to the firm of Clayton and Morris, agent of the first Viscount Hatton and auditor to the second Duke of Buckingham, himself evolved systems of bookkeeping and wrote of them, and was by no means the only accountant to do so.

Stephen Monteage

A Seventeenth Century Accountant

by B. S. Yamey, B.Com.

STEPHEN MONTEAGE (1623?–1687) is one of the small number of accountants who have been honoured with an entry in the *Dictionary of National Biography*, in which he is described as "merchant and accountant." He wrote two books on accounting, the first *Debtor and Creditor made easie* (1675), and the other *Instructions for Rent-Gatherers Accompts . . . made easie* (1683). A third work, included in later editions of his first work, is also attributed to him, though his skill in choosing sales-attracting titles seems to have deserted him on this occasion: *Advice to the Women and Maidens of London: shewing that instead of their usual Pastime and Education, . . . it were far more necessary and profitable to apply themselves to the right understanding and practice of keeping Books of Accompts.**

Some light is shed on Monteage's activities as accountant and agent by entries in the ledgers of the partnership firm of Sir Robert Clayton and John Morris which are preserved in the Guildhall Library of the Corporation of London. This firm of scriveners was wealthy and active, and engaged in a variety of activities, including some which today are the more specialist concerns of financiers, financial advisers, estate agents and solicitors. Sir Robert Clayton was the more prominent partner. He became Lord Mayor of London and was a leading Whig politician. It was to Sir Robert Clayton that Monteage in 1683 dedicated his second book.

"Accompt of Errors"

Four of the Clayton and Morris ledgers have survived. The first is "ledger No. 9," beginning on October 1, 1669; the last, No. 12, which has some pages missing, ends on September 30, 1680. Thus eleven years are spanned. The ledgers are kept on the double-entry system, with all accounts balanced yearly on September 30. The standard of accounting was good, and there can be little doubt that the detailed entries in the numerous personal accounts were of great use to the partners in the detailed administration of their various affairs. There were some lapses, then as now, and these were corralled together in an "Accompt of Errors," the balance of which was carried forward from year to year, an ever-suspended suspense account. The entries for errors record miscasts in the cash book (very small amounts), an instance where a debit entry in a personal account had to be reversed because "Mr. Colvil disownes ye receipt thereof," and an opposite instance where a debit had to be made to a personal account for "a mistake of money he ownes to have been paid for him . . . not yet known whose money it is."

* * *

Stephen Monteage's name appears in all the ledgers except the first; and he appears in three different roles: as agent of Christopher Hatton, first Viscount Hatton; as accountant for a joint venture in which Clayton and Morris participated; and as "auditor" to George Villiers, second Duke of Buckingham.

On December 8, 1674, Clayton and Morris paid £5,000 in cash to Lord Hatton on behalf of an important client, James Clitherow. The debit entry in Clitherow's account runs: "Pd. Lent the Lord Hatton upon Mr. Bennett's assignment of his mortgage of Hatton House and Buildings" £5,000. It seems clear from other entries that Clayton and Morris had arranged this loan as intermediaries. Thus there is a credit entry, dated June 2, 1675, in the account entitled "Contingent Profits," for £3 7s. 0d. "Recd. of the Lord Hatton by Mr. Stephen Monteage for writeings," which suggests that the documents were drawn up by them. In the next ledger there are further entries which explicitly refer to the loan.

* D. Murray, *Chapters in the History of Bookkeeping and Accountancy*, 1930, page 254. The publication is described in its title as being written by 'One of that Sex.' But in view of its later inclusion in Monteage's *Debtor and Creditor made easie*, it is likely that he was in fact the author.

Stephen Monteage's personal account is debited with two amounts of £20 each, in August, 1676, and 1677, "To Contingent Profitts for 12/mo of 5000 *l.* due from the Lord Hatton the 8th June last." These amounts were due to the partners, and not to the lender, Clitherow; the account of contingent profits was a nominal account, the balance of which was transferred yearly to the partnership capital account. (There are no intermediary profit-and-loss accounts in these ledgers.) The amounts due from Lord Hatton were presumably for "continuance," a term which together with the terms "procuration," "writings" and "business" constitutes the title of the credit side of the first folio to contain an account of contingent profits. (Until 1674 the individual amounts had gone straight into the joint capital account.) "Continuance" probably relates to continuing fees for the service rendered of having found a lender and arranged the loan.

The interest on the loan, at 6 per cent., was debited to Lord Hatton's account, and the credit entries to this account show that, apart from the first payment, the amounts were paid by his agent, Monteage. On one occasion he paid part of the next instalment before it was due, and the entry reads: "Recd. of Mr. Stephen Monteage which is to be applyed to the next Int: that will grow."

The Irish Adventurers

The transactions of the joint venture to which Monteage rendered accounting services for Clayton and Morris are recorded in an account entitled "The Irish Adventurers," and concern some mining venture in Ireland. Monteage's name first appears in ledger 10. The account is closed on November 30, 1672, with the entry: "By Ballance of an acc^{t} settled by Mr. Monteage and agreed by Sir Robert Clayton, Doct^{r} Yates and Mr. Morris." This balance was in fact the simple balance of the various preceding debit and credit entries, as there was no calculation of any profit or loss to this date. In an entry in the next ledger Monteage's role as accountant is made clear: "Pd. Mr. Stephen Monteage on acc^{t} of Salary for keeping the Accompts of Enisrorthy Iron" £20.

Ye Duke of Bucks

His third role was as "auditor" for the Duke of Buckingham. The story begins on July 6, 1674, with an entry for a payment of £2 10s. 0d. to Monteage for a journey "at Mr. Clitherow's suite." This amount is debited to the account of the Most Noble George Duke of Buckingham. Monteage also appears in another account in Ledger 10, that entitled "Mr. Morris's acc^{t} of ye Duke of Bucks Trustees"; Clayton was the chief trustee. Here, payments to him of £20 per quarter, in arrears, are recorded, the first entry being on April 13, 1674. One entry specifies that the salary was to him "as auditor to his Grace the Duke of Bucks." He was also paid for a "bill of disbursements." The payments continued during the course of the next ledger (No. 11), in which there is also a payment to him of £5 9s. 10d. "layd out for Bookes for the Acc^{ts} and postage of Lett^{ers}."

A further connection between Clayton and Monteage is indicated in yet another account in this ledger. The account for "Marden Farme" includes a number of debits "Paid Deane [last letter not clear] Monteage to lay out," which suggests that for a short period Clayton employed Monteage's son, Dean, on his property at Marden, Surrey, which he had bought in 1672, and where he died in 1707. Dean succeeded his father as Lord Hatton's agent, and later became accomptant-general to the Commissioners of Excise.

Rent-Gatherers Accompts

Reference has already been made to the fact that Stephen Monteage dedicated to Sir Robert Clayton his *Instructions for Rent-Gatherers Accompts* . . . In the dedication Monteage explains that he sets out in his book the method "which You have approved in your own Concerns. The Imploys to which You have recommended me, have given me the Experience of many Difficulties, which have arisen by disordered Reckonings; and this did prompt me to contrive this plain Method, being as safe for the Bayliff, as satisfactory to his Lord, in keeping and rendring an orderly Accompt of all things under his charge." The system advocated and explained is not double entry, but a system of charge and discharge, with a separate cash book and various schedules.* He indicated that this was "more proper for the Persons for whose Use it is designed (viz. Receivers and Bayliffs of a middle Capacity)" than the double entry method described in his first publication, *Debtor and Creditor made easie*. It is this earlier book which, together with his practice as accountant, no doubt explains the information in the *Dictionary of National Biography*, that Monteage "did much towards bringing into general use the method of keeping accounts by double entry."

Other Early Practitioners

Monteage was one of several early practitioners of accounting who wrote textbooks on this subject. Before him there were James Peele, John Weddington, Ralph Handson, Richard Dafforne, John Collins, and Thomas Browne; while Ympyn, whose Dutch volume of 1543 appeared in English translation in 1547, was a merchant obviously well informed on accounting practice, and Claes Pietersz, another Dutchman whose main book on accounting appeared twice in English translation (in 1596 and 1613), probably had accounting experience in a business concern. The generalisation, sometimes advanced, that the early writers on accounting were largely innocent of contact with business and accounting affairs, is certainly not true of the first 150 years of English textbooks on accounting.

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* Monteage explained that he had hoped to include a map of the imaginary manor to show landlords how they should keep a proper map of their property: "But my Bookseller was loath to be at the Charge of it."

Accountant at Large

What Mr. Gladstone Said

HOW THE SLIM volume first appeared on its present shelf is one of the unsolved mysteries, but there it is, in good order, bound in plain covers by someone who wanted to have handy the current statutory law of his time concerning stamps. It contains the Stamp Act of 1891, bound in with the Finance Acts of 1895 and 1899, both of which had stamp provisions. There is no explanation, no owner's name written on the flyleaf, no collective title page. But the book has more interest for the reader of sixty years on than its first owner can ever have expected.

There is little enough to take the fancy in the Stamp Act. The law of stamping may have its enthusiastic students, but most legal amateurs rate it very low indeed in the scale of legal interest. The Act of 1891, one of the consolidating Acts that gathered to their comfortable bosoms all the existing case and statute law on their subjects, has worn well, and still provides the hard core of textbooks; but its substance is so entirely mercenary, so remote from life, that one cannot easily love it. It has 125 Sections and three schedules, one of them of inordinate length. It is very dull.

The two Finance Acts are quite another matter. The 1895 Act was only the second Act so named: before 1894 the annual statutory provision of financial sinews for the nation had been usually called the Revenue Act, although the name could on occasion be extended to, for instance, the Revenue, Friendly Societies and National Debt Act. In 1894 appeared the first edition under the new title, which was destined to have a very long run. But it wasn't then, nor did it ever become, anything like so funny as "Charley's Aunt."

It was, however, informed with the soul of wit. To us of another era the most striking fact about it, and its 1899 successor. must certainly be their brevity. The 1895 Act—58 Vict. c. 16—contains 20 Sections and occupies six pages. The 1899 Act—62 and 63 Vict. c. 9—has 18 Sections and takes up eight pages. The stamps with which the anonymous compiler of the volume was concerned accounted for eight and eleven, respectively, of these Sections.

Indeed, the contents page of the 1899 Act is so nostalgic to the eye of of the modern reader as to be wellnigh unbearable. "Part I," it says, "CUSTOMS. 1. Duty on tea. 2. Duties on wine. 3. Additional duties on spirits." Then, after Part II on Stamps, comes: "Part III. INCOME TAX. 15. Income-Tax for 1899–1900." Just that. No more. And Part IV winds the thing up with an air: "NATIONAL DEBT. 16. Amount of permanent annual charge for National Debt. 17. Creation of terminable annuities."

Section 15 itself makes its principal point in the first sub-Section: "Income-Tax for the year beginning on the sixth day of April one thousand eight hundred and ninety-nine shall be charged at the rate of eightpence." Sub-Sections 2 and 3, concerned respectively with the continuance of all previous surviving income tax legislation and with income tax under Schedules A and B, do little to blunt the beautiful simplicity of this enactment—simpler, it may be noted in passing, than Section 17 (1) of the 1895 Act:

> There shall be charged, levied, and paid for the year which began on the sixth day of April one thousand eight hundred and ninety-five, in respect of all property profits and gains respectively described or comprised in the several Schedules A., B., C., D. and E. in the Income Tax Act, 1853, the following duties of income tax (that is to say):
>
> For every twenty shillings of the annual value or amount of property profits and gains chargeable under the said Schedules A., C., D. or E., the duty of eightpence; and
>
> For every twenty shillings of the annual value of the occupation of lands tenements hereditaments and heritages chargeable under the said Schedule B., the duty of threepence.

That is a little longer-winded, but, even so, fairly uncomplicated. And in any case, even though the Queen's Printer had not yet decided whether income tax had a hyphen or not, the tax was only eightpence in the pound.

The actual rates of tax in the distant and the not so distant past are a part of social history with which we are all more or less vaguely familiar, even if we cannot precisely place the increases. In 1900 it went up 50 per cent. to 1s., in 1902 it was 1s. 3d., varying thereafter between that figure and 11d. Then the débâcle began: 1914, 1s. 8d.; 1915, 3s.; 1916, 5s.; 1918, 6s. It never thereafter fell below the 4s. of the mid-twenties, and the 10s. of 1941 to 1946 is a painful part of recent memory. The record is melancholy enough; but our two surviving Acts of the 'nineties, with their eightpences, cannot seriously be advanced as models for any Chancellor of the foreseeable future to imitate. Not even an election auction produced any promises of reduction in our present standard rate.

But is there any really compelling reason why these Finance Acts and their like, so long forgotten in a welter of voluminous successors, should not be considered as worthy precedents of simplicity? In the preface to the latest edition of their *Tax Planning*, Messrs. Potter and Monroe quote Gladstone as saying that whatever is done about the income tax must be clear and definite, and go on to scathing denunciation of some current complexities in which confusion is piled on confusion. An increasingly complex civilisation is almost inevitably saddled with complex legislation, and there can be no hope of return to primitive innocence. But there is real danger that expert practitioners can, in their enjoyment of the intellectual exercise provided by complexities, forget that they should always be seeking simplicity. If this is true of legislation in general, it is certainly no less true of taxation

law in particular, and accountants are better placed than most men to understand both the horrid fascination of difficult tax legislation and the dire need for a reforming simplicity. To tailor taxes as nearly as possible to individual circumstances is in itself a laudable aim, but there comes a time when the forest of exceptions and exemptions becomes more irksome than individual inequities, which are anyhow never to be completely avoided. What a popular Chancellor he will be who so reforms the tax structure that it will become possible for the layman to have at least some remote idea what his consultant is talking about when he seeks to explain the latest assessment! It would perhaps be more altruistic than can be reasonably expected for an accountant to wish for such simplicity that his services as consultant would no longer be necessary; but there is little enough prospect of this part of his livelihood being endangered.

The slim volume can go back to its mysterious place on the shelf. May there yet come a time when, even though eightpence remains still a story from remote old days, the eighteen-Section Finance Act, with its single-Section income tax provision, is not so fantastically old-fashioned!

A common problem in industry is to decide between competing proposals for capital expenditure—a decision which often depends upon an assessment of the return expected. This article mentions briefly some of the measures used, and describes and discusses the application to practical problems of a simple procedure for estimating the actual interest yield without recourse to extensive tables or elaborate computations.

Capital Expenditure Decisions

Measuring the Prospective Return

by H. J. H. Sisson, F.C.A., and C. R. Goodman, A.C.I.S. (a member of the Comptroller's Department, Thomas Hedley & Co. Limited)

1. The need to measure the return on expenditure

Industrial businesses may decide to spend capital with various objects. Two that often occur are: (*a*) to reduce operational costs or depreciation, as when improved plant replaces plant less costly but requiring more labour or having shorter life, and (*b*) to produce additional profits, as when plant and buildings are installed for the production and sale of a new product. Within any large business there will commonly be competing proposals to spend money with these objects, and management needs some measure of the expected return from each project and some standard to apply in deciding which of the alternatives shall go forward.

A typical project would comprise proposed expenditure on fixed assets having various estimated lives, either in one sum or spread over a period according to an estimated time-table. Detailed forecasts would be made of the amounts of additional working capital (if any) specifically required, and of the year-by-year cost savings or additional profits expected to result from the expenditure. Any measure of the return should take all these estimates into account.

2. Pay-out

The simplest measure used in practice is the number of years from start-up within which the net cash return is expected to repay the initial outlay. The cash return is estimated year by year after tax, and including tax reliefs on capital allowances: depreciation is excluded altogether, but reinstallations of plant to be incurred (or saved) come in as cash flows in their expected years. Though it is useful to set an upper limit of pay-out to weed out projects not meriting further scrutiny, the measure cannot safely be used to distinguish between alternatives because it leaves out of account what happens after the pay-out year, and does not therefore satisfactorily measure the return being earned over the whole life of the project.

3. Average rate of return

A simple index which attempts to do just this is the "average rate of return", defined as the ratio of average annual net savings or income (after depreciation) to the "average investment" in the project. Since the expenditure on any fixed asset, excluding land, save insofar as recoverable on final sale, is written off by depreciation over its life, one-half only of such expenditure comes into the average investment: on the other hand we should include in full the working funds invested in a project, which are recoverable at the end of the project-life, and the part of fixed asset expenditure recoverable on final sale or retaining value in use after termination. Thus if c denotes the outlay on fixed assets not recoverable on final sale, or as value in use, w the working funds tied up in the project and the outlay so recoverable, s the expected average annual net cash inflow from savings or profits and D the (straight line) depreciation, the average rate of return is

$Y=(s-D)/(\frac{1}{2}c+w)$.

This index, normally expressed as a percentage, is analogous to the conventional "rate of return on capital employed" from the balance sheet, assuming that on average the fixed assets have been written down to half their initial cost. If we assume steady cash savings or income s per annum, we may observe that initially the investment is the whole outlay $c+w$, and the rate of return is then less than the average rate, being about $(s-D)/(c+w)$; whereas when all the assets have been written off the rate of return tends towards a higher value $(s-D)/w$. At some intervening time or times the project will actually be earning its "average rate of return"; just when this happens will depend upon the lives of the assets covered by the expenditure.

The index would not distinguish between two projects each having the same *average* rate of return, one of which earns this rate after two years and the other not until ten years, although the former would evidently be the more remunerative project. The use of an average rate of return standard thus tends to favour longer-term projects at the expense of more remunerative shorter-term projects. Also, being an average, it does not give a fair measure for projects on which the return varies markedly year by year; for example, where, as often happens, the expected return is below average in the earlier years, the *average* rate gives too rosy a picture.

4. Use of a fixed interest rate

The defects of the average rate of return may be summarised by saying that it does not take enough account of the time value of money. One approach to the problem is to adopt some fixed rate of interest for amortising expenditure and ironing out irregularities in the year-by-year returns before computing the average rate of return. Given suitable amortisation and discounting factors, this can be done; but the results are tied to the adopted interest rate, and the method may not be flexible enough if changes of standard are required from time to time or for different purposes.

5. The actual interest yield of the project

It is common practice when dealing with purely financial transactions to size them up by computing the actual interest yield, taking into account all money receivable and payable, including redemptions of capital and the like. There is nothing to prevent our estimating a similar measure for the return on industrial capital expenditure, and in fact the use for this purpose of the interest yield —usually the yield with continuous compounding, the "force of interest"— is widely advocated in the United States. This yield rate is the best available single index and may be defined as the rate of interest, compounded continuously (as opposed, for instance, to yearly rests), at which the present values (discounted to the zero or starting date) of the prospective cash outlays and returns exactly balance.

The ordinary method of computing an interest yield is by use of prepared tables of discount factors, working out the net "present value" at two trial rates and estimating the true rate by interpolation. This method can be very laborious. Fortunately, simple approximate methods give results adequate for practical purposes. One such method, which we have developed and tested on practical problems, is described below.

6. From "average rate of return" to yield

If asset lives are not too great—and a good rule in practical problems is to assume no depreciating asset has a life of over twenty years—we obtain a reasonable estimate of the yield by multiplying the average rate of return by a factor (which we shall call K) which depends upon the "equated life" of the assets. "Equated life" is computed by multiplying the average investment in each depreciating asset by its life, summing, and dividing by the overall average investment. The formula for K is $3.92/(2+\sqrt{4+2pY})$, where p is the equated life in years and Y is the average rate of return. A table is given in Appendix 1.

EXAMPLE 1. A cost-saving project requires assets costing £10,000 and £2,000 with estimated lives 20 and 4 years and no residual values. The expected annual cash savings (after tax but including tax reliefs on capital) are £2,700 p.a.

Here annual depreciation would be £1,000, the average investment $\frac{1}{2}\times$£12,000, that is, £6,000, and the equated life $(\frac{1}{2}\times 10{,}000\times 20+\frac{1}{2}\times 2{,}000\times 4)/6{,}000$, that is. 17.3 years.

The average rate of return (see para. 3) is: $(2{,}700-1{,}000)/6{,}000=28.3$ per cent.

Applying this percentage to the equated life 17.3, we obtain 4.9, and from the table this gives K=.686, whence the yield is $.686\times 28.3$ per cent., that is, 19.4 per cent.

EXAMPLE 2. Alternative expenditures A and B are estimated to produce the same annual cash savings; but A has estimated life 12 years and costs £324 and B has life 4 years and costs £233.

The extra £91 payable for A comprises a positive expenditure of £324 on A and a negative expenditure of £233 on B, with no annual cash savings. Treating these as in Example 1, we find depreciation *minus* £31.2, average investment £45.5, equated life 32.5 years, average rate of return 68.6 per cent, K .438, and yield 30.0 per cent (which compares with a true force of interest of 30.1 per cent.).

7. Outlay timing and uneven returns

This adjustment of the average rate of return allows neither for year-by-year variations in the expected return nor for the possible spread of the initial outlay over several years; but we can readily modify the method to take approximate account of these features. An obvious rough procedure would be to obtain as above a first estimate of yield from the average rate of return, compute the loss of *simple* interest at that rate arising from outlays incurred before start-up, and then recompute the yield, treating this "interest loss" as an additional outlay: we could similarly bring in a notional outlay to represent the discounted value of the loss of interest due to later-than-average receipt of savings or income. A more satisfactory procedure, using the interest factors in Appendix 2 to convert simple to compound interest, is illustrated in Example 3. (These interest factors are expressed in terms of the product, $100x$ (say), of the yield per cent., and the number of years from start-up: they are in fact values of $(e^{x}-1)/x$ and $(1-e^{-x})/x$.)

The example is narrated in full: in practice we find it safer and more convenient to use prepared worksheets.

8. Accuracy of the formula

We have studied mathematically the problem of the degree of accuracy of the yields estimated by this *K* method, and devised simple corrections that may be applied by reference to the first estimate of yield and the lives of individual expenditures. There is no space here to describe these corrections, but we may state the conclusion that in most practical problems they may safely be neglected.

9. Some special problems

(i) *Tax*. Three problems arise in practice in dealing with tax, namely, the treatment of:

(*a*) Initial or investment allowances.

(*b*) The delay in tax collection: for example, with a June 30 year-end the delay would average about two years.

(*c*) The pattern of annual tax allowances.

The tax relief on initial or investment

EXAMPLE 3.

Fixed assets	*Cost*	*Depreciation*
	£	£
(*a*) 20-year life	8,000	400
(*b*) 4-year life	2,000	500
	10,000	900

Expenditure is spread as follows:	£
In ½ year prior to start-up—Mean date—½	3,000
In second ½ year do. do. —¾	3,000
In third ½ year do. do. —1¼	2,500
In fourth ½ year do. do. —1¾	1,500
	10,000

(No material sums realisable on final sales.)

Working capital	£
At end of year 1 from start-up	1,500
Additional during year 2	500
Total (all ultimately recoverable)	2,000

Expected annual cash returns	
Year 1	Loss £500
Year 2	£2,000
Year 3	£3,000
Years 4–20	£3,500 p.a.

This example shows a typical pattern of initial losses and low profits leading to a going return: and in these cases it is better to compute, not the overall average rate of return, but rather the *going rate of return*, treating the profit shortfalls as part of the initial outlay. The shortfalls are:

	£
Year 1 £3,500+500 =	4,000
2 £3,500−2,000=	1,500
3 £3,500−3,000=	500
	6,000

Depreciation thereon to write off over 20 years = £300 p.a.

Preliminary computations.

(i) Average investment and equated life

	Av. Inv.	*Life*	*Product*
	£		
20-year asset ½×8,000=	4,000	20	80,000
4-year asset ½×2,000=	1,000	4	4,000
Profit shortfalls ½×6,000=	3,000	20	60,000
Working capital (all)	2,000	—	—
	10,000		144,000

Equated life = 144,000/10,000 = 14.4 years.

(ii) Going rate of return = (3,500−900−300)/10,000 = 2,300/10,000 = 23.0 per cent.

(iii) Applying this percentage to the equated life 14.4 gives 3.3.
Factor K = .746.

(iv) Yield (1st estimate) = .746×23.0 per cent. = **17.2** per cent.

Computation of interest loss. To compute the interest loss we tabulate in columns: (1) years from start-up (mean dates — or +); (2) outlays (which will include capital expenditures, net profit shortfalls, and working capital increases); (3) years in (1) multiplied by the percentage yield 17.2, dropping decimals; (4) interest factors from Appendix 2; and, in a final column (5), the products of (1)×(2)×(4). We find the total of column (5) is £3,362 and the interest loss is 17.2 per cent. of this total, that is, £578.

Final computation. Treat this interest loss as outlay with 20-year life; thus—

(i) Average investment becomes £10,000+½×£578 = £10,289.
Equated life becomes (144,000+½×20×578)/10,289 = 14.6 years.

(ii) Going rate of return becomes (2,300—578/20)/10,289 = 22.1 per cent.

(iii) Applying this percentage to the equated life 14.6 gives 3.2.
Factor K = .750.

(iv) Yield = .750×22.1 per cent. = 16.6 per cent.

allowances is most conveniently treated as a capital subsidy; the outlays can be brought into account net of this relief throughout the calculations. Tax delay offers a choice of treatment, but it is much more convenient to ignore it altogether and assume charges and reliefs take immediate effect. The effect will normally be to make the actual yield greater than our estimate, often substantially so, since in fact the business has the use of the funds held for future tax on current income. Actual tax reliefs on capital allowances may be brought into the estimates of cash returns; but where the main benefit of the project consists in big operational cost savings or trading income it will often suffice to deal with these reliefs approximately, for example, by assuming an even spread over asset-life of annual reliefs based on outlay less initial relief. Practical treatment is often complicated, but there is no difficulty in principle: in general the same care should be given to tax effects as to other estimates used for computing the return.

(ii) *Outlays and losses on termination of a project.* Sometimes the termination of the project is expected to entail extra expenditure, or losses arise because subsidiary assets are then rendered useless. In general an outlay or loss on termination is equivalent to a negative recovery. When computing average rate of return and equated life, therefore, the amount is included as a depreciable asset-cost with project-life, and a like *minus* amount as non-depreciable. If an asset with estimated 6-year life had been renewed, at a cost of (say) £6,000, two years before termination, we should in the first instance treat 4/6ths of the cost, i.e. £4,000, less any sale proceeds or continuing value in use, as a loss on termination; but, in the final computation, the £4,000 would be corrected by multiplying it by the ratio of the after-date interest factors from Appendix 2 corresponding to four years and six years at the (first estimate) yield rate.

10. Standards

In broad terms, the management of a business will want to see the average rate of return on its projects as a whole at least equal to the returns its competitors achieve on the capital they employ. But, as explained in para. 3, it would be unsound to insist that every individual project satisfy a single average rate of return standard: this would be like forcing all men into Procrustes' bed to maintain the average height of the race. What we need is a yield standard which

will ensure an adequate average return from the total investment in all projects, having regard to their actual pattern and in particular their pattern of lives. A full study of this problem would require statistical research into asset-lives and expenditures of the business, and possibly the construction of a "model business", but some guidance may be obtained from the average rates of return corresponding to given lives and yields from straight single-asset projects, as in the table below.

From this table, if, for instance, it was considered that the bulk of asset-lives ranged around fifteen years and that 12 per cent. after-tax return on capital employed was acceptable, then a 10 per cent. yield standard might be chosen. If on the other hand a 20 per cent. net return was required, with a similar assumption about asset-lives, we should choose a 15 per cent. yield standard. For this purpose capital employed includes borrowed money, and interest is not treated as a cost.

11. Fixed commitments, rentals and the like

When computing cost savings or income we must give rentals and other fixed annual payments special treatment, because a fixed commitment is distinct in nature from an expected cost over which the business has some control. Other costs, of course, do have some fixed commitment element, though in practice we cannot treat each cost individually: when the distinction is clear, however, we must make it.

Suppose, for instance, the following:

Installation cost £30 capital.

Rental p.a. (less tax) on 5-year contract for machine £1,000 (assumed spread over year, say, monthly).

Annual cash return from operational cost savings £1,036 (i.e. £36 more than the net rent).

This would produce average rate of return (36—30/5)/15=200 per cent., and a yield of about 120 per cent., yet the savings margin of £36 would be dangerously small against the fixed commitment of £1,000 p.a.

The solution is to have a separate yield standard for rentals, being the yield that it is considered could certainly be secured anywhere in the business: this separate "minimum" yield would normally be higher than external financial rates because minimum profits earned could generally be counted upon to exceed these. "Minimum" yields between 4 per cent. and 8 per cent. after tax would in many businesses be reasonable for the purpose. Having settled the "minimum" yield, say 5 per cent after tax, we discount the rental at that rate to give an equivalent capital commitment on which the savings or income yield can be computed. For this purpose the factors in Appendix 2 can be used either directly to give a quick rough answer, or more accurately using a year-by-year simple interest method; or special commitment tables may be used.

Using the quick method for the above example, we note the total rental over five years is £5,000, and 5 times the "minimum" yield 5 per cent. is 25, giving interest factor .9. The commitment is thus $.9 \times 5{,}000 = 4{,}500$. Ignoring the £30 installation cost, the average rate of return is $(1{,}036 - 4{,}500/5)/(\frac{1}{2} \times 4{,}500)$ =about 6 per cent., and the yield is approximately the same, 6 per cent. (The more accurate method gives yield 6.2 per cent.) This yield would be assessed by comparison with the ordinary standard for cost savings projects.

Rentals are often involved in more complex projects and should in our view always, if material, be treated in this way as commitments. Interest on borrowed money, on the other hand, should normally be excluded from the reckoning: we are not, in these problems, concerned with the source of the funds used to finance projects, which is a separate question and one of the factors to be weighed when choosing the standard yield, as explained in para. 10.

12. Conclusion

Though we cannot here discuss all the special problems that arise—we have not, for instance, discussed the correct treatment of existing facilities adapted to new purposes or put out of use and sold—we hope that what we have said will provoke thought in others concerned with these, often difficult, decisions about expenditure. The range of such decisions is wide, from deciding whether to spend money on minor plant improvements to assessing whether it is worth while incurring possibly vast outlay and tying up extensive funds for the launching, manufacture and sale of a new product.

Much effort and care is often given to forecasting prospective outlays and returns: when this has been done the results should be interpreted by something more than just commonsense or intuition.

Percentage average rates of return on single-asset projects

Yield per cent.	*Life in years* 5	10	15	20
5	5.2	5.4	5.6	5.8
10	10.8	11.6	12.4	13.1
15	16.9	18.6	20.2	21.6
20	23.3	26.3	28.8	30.7
25	30.1	34.5	37.8	40.3

APPENDIX 1

TABLE OF FACTORS *K*

(Multiply average rate of return by *K* to give yield)

Average rate of return x equated life	*Factors K*	*Average rate of return x equated life*	*Factors K*
0	1.000	13	.524
0.5	.925	14	.512
1	.881	15	.501
1.5	.844	20	.454
2	.812	25	.419
2.5	.784	30	.392
3	.759	35	.370
3.5	.737	40	.351
4	.717	50	.321
5	.683	75	.272
6	.653	100	.241
7	.628	150	.202
8	.606	200	.178
9	.586	300	.147
10	.568	400	.129
11	.552	500	.116
12	.538	1,000	.084

(Use linear interpolation)

Note: At zero *K* is taken as 1.000 instead of the formula value .980.

APPENDIX 2

TABLE OF FACTORS FOR COMPUTING INTEREST LOSS OR GAIN DUE TO OUTLAY TIMING, ETC.

(reckon simple interest on expenditure x factor)

Prior to zero date *Years prior x percentage yield*	*Factors*	*After zero date* *Years after x percentage yield*	*Factors*
0–9	1.0	0–10	1.0
10–26	1.1	11–33	.9
27–42	1.2	34–60	.8
43–56	1.3	61–93	.7
57–69	1.4	94–134	.6
70–81	1.5	135–188	.5
82–92	1.6	189–265	.4
93–102	1.7	266–392	.3
103–112	1.8	393–665	.2
113–120	1.9	666–2,000	.1
121–129	2.0	2,001–	0

Taxation

Investment Allowances

IT IS NOW opportune to review the introduction, suspension and reintroduction of investment allowances.

The allowances were introduced by Section 16, Finance Act, 1954, in respect of capital expenditure on new assets (that is, assets unused and not secondhand) incurred after (*not* on or after) April 6, 1954. With certain exceptions noted below, expenditure incurred after February 17, 1956, and before April 8, 1959, did not attract investment allowances (Section 15, Finance Act, 1956). Expenditure after April 7, 1959, again attracts the allowance (Section 21, Finance Act, 1959).

The rates of investment allowances are:

Industrial buildings, 10 per cent.;
Machinery and plant, 20 per cent.;
Mines, oil wells, etc., 20 per cent.;
Ships, 20 per cent., increased to 40 per cent. on expenditure after April 9, 1957 (Section 15, F.A. 1957). (There was no suspension in respect of expenditure between February 18, 1956, and April 7, 1959, both dates inclusive);
Scientific research, 20 per cent. (there was no suspension in this case either);
Agricultural and forestry buildings and works, 10 per cent.

It is important to remember that the investment allowance took the place of the initial allowance until the Finance Act, 1959, and that the provisions of the Income Tax Act, 1952, regarding initial allowances apply, with certain exceptions described below, to investment allowances. Expenditure after April 7, 1959, however, attracts an initial allowance as well as an investment allowance; the initial allowances are then:

Industrial buildings	5 per cent.
Machinery or plant	10 per cent.
Mining works	20 per cent.

The investment allowance is not deducted in arriving at the written-down value of the asset for any purpose. The investment allowance is available when plant is replaced, even where the renewals basis is used instead of claiming capital allowances year by year.

No investment allowance is available in respect of expenditure on the provision of road vehicles unless they are of a type not commonly used as private vehicles and unsuitable to be so used or are provided wholly or mainly for hire to, or for the carriage of, members of the public in the ordinary course of a trade.

A claim for an investment allowance must have annexed to it a certificate stating that the expenditure was incurred on new assets and giving such particulars of the purposes for which they are to be used as show that the investment allowance falls to be made. Expenditure prior to commencing business is not eligible for the allowance.

There are provisions (2nd Schedule, Finance Act, 1954) for withdrawing investment allowances in certain cases where it is shown that within three years (*a*) the asset is sold to a non-resident (in respect of expenditure before April 10, 1957, an Overseas Trade Corporation is regarded as non-resident for this purpose—4th Schedule, Finance Act, 1957) otherwise than for scrap or for a chargeable purpose,* or (*b*) the person incurring the expenditure changes his residence so that the asset is no longer used for a chargeable purpose, or (*c*) the property is appropriated to a purpose other than a chargeable purpose, or (*d*) a road vehicle kept for hire to or carriage of members of the public is sold or transferred to a person not acquiring it for a similar use or for scrap.

The investment allowance may be withdrawn if it is shown that within five years (i) the asset is sold or transferred otherwise than to a person acquiring it for a chargeable purpose and it appears that it was acquired in contemplation of the sale or transfer, or (ii) the asset is sold, transferred or otherwise dealt with and it appears that the original capital expenditure on it was either incurred in contemplation of the sale, etc., or that the sole or main benefit which accrued from the expenditure was or derived from the investment and other allowances on it. The withdrawal does not apply if it can be shown that the transactions were *bona fide* business transactions not designed for the purpose of obtaining tax allowances.

Where an investment allowance is withdrawn, the appropriate initial allowance (on expenditure after April 7, 1959, the appropriate additional initial allowance) may be claimed. The person who had the investment allowance must notify the Inspector of Taxes if any of the above events occurs. The penalty for not doing so is £20 plus three times the investment allowance.

If the asset is sold to an associate of the person who incurred the capital expenditure or it appears either that the sale was one in contemplation of which the expenditure was incurred or that the sole or main benefit to be expected by the parties (or any of them) was capital allowances, the buyer is not entitled to an initial allowance unless the investment allowance is withdrawn or withheld as above (2nd Schedule, Finance Act, 1954). This would apply to a sale after the five-year period.

The suspension of investment allowances in respect of expenditure between February 18, 1956, and April 7, 1959 (both dates inclusive) did not apply to ships or to scientific research. Further, the allowance continued on capital expenditure between those dates if the expenditure was incurred under a contract entered into not later than February 17, 1956, and on capital expenditure incurred (*a*) in adding any insulation against loss of heat to an

* This term may be defined as: for the purpose of making from the asset profits which will be liable to United Kingdom tax.

industrial building or machinery or plant in the United Kingdom which was already in use, or (*b*) in modifying or replacing in the interests of fuel economy plant in the United Kingdom already in use. The plant in (*b*) is prescribed in orders made by the Treasury: Investment Allowance (Fuel Economy Plant) Orders, 1956 (S.I. 1956, No. 1295), 1957 (S.I. 1957, No. 938), 1958 (S.I. 1726). Investment allowances also continued on expenditure in adding any insulation against loss of heat to any building or structure which was or had been already in use and in which artificial heating was regularly used for the purpose of husbandry or forestry.

In the case of ships, in respect of expenditure while the initial allowance was 40 per cent. and the investment allowance 20 per cent. there was an option of claiming the investment allowance or the initial allowance. Ultimately, of course, it was more advantageous to claim the investment allowance, though the initial allowance gave the immediate relief. The investment allowance is available where after April 7, 1959, a person purchases a ship before it has been taken over from the builder, but only to the extent that the vendor has not been entitled to an investment allowance. If rights in an uncompleted ship are assigned and the assignor is a body of persons under the control of the assignee, or the assignee is a body of persons under the control of the assignor, or both are bodies of persons under the control of another person, or the purpose of the transaction seems to be to obtain an increased investment allowance, only the amount of the expenditure that relates to so much of the ship as was in existence before the assignment attracts the allowance (Section 22, Finance Act, 1959).

Expenditure on dredging harbours, etc., attracts investment allowances (10 per cent.) if incurred after April 7, 1959, in addition to an initial allowance at 5 per cent. On or before that date such expenditure, if incurred in any basis period for a year of assessment later than 1955/56, attracted an initial allowance of 15 per cent.

An investment allowance is available on capital expenditure on the construction of works in connection with mines, oil wells, or other sources of mineral deposits of a wasting nature which are likely to have little or no value when the source is no longer worked. In respect of expenditure between April 7, 1954, and February 17, 1956 (inclusive), or later if under a contract made before or on the latter date, the rate of allowance is 20 per cent., but if desired the initial allowance at 40 per cent. could be claimed. In respect of expenditure after April 7, 1959, no such election is possible, but the initial allowance of 20 per cent. is available in addition to the investment allowance.

For income tax purposes the investment allowance is given on the usual basis period principle, but for profits tax it is deductible in the accounting period in which the expenditure was incurred (Section 16 (12), Finance Act, 1954).

Life Assurance Relief

RELIEF MAY BE claimed in connection with assurance premiums paid by the taxpayer on a policy of life assurance or on a contract for a deferred annuity made after June 22, 1916, with any assurance office legally established within Her Majesty's Dominions, India, or the Republic of Ireland or lawfully carrying on business in the United Kingdom; or with underwriters, being members of Lloyd's or of any other association of underwriters approved by the Board of Trade, who comply with the requirements set forth in the Eighth Schedule to the Assurance Companies Act, 1909; or with a registered friendly society; or, in the case of a deferred annuity, with the National Debt Commissioners. The assurance or deferred annuity must be on the life of the claimant or on the life of his wife and the assurance or contract must be made by the claimant. If the claimant is married the above provisions restrict the relief to assurances or contracts made by the husband, as he is the taxpayer. Obviously, as many wives have, or have had, separate incomes, to restrict relief to premiums on assurances of the husband would be unreasonable. Sub-Section 4 of Section 219 of the Income Tax Act, 1952, provides, therefore, that where the premium is paid by a wife out of her separate income in respect of an assurance on her own life or the life of her husband or a contract for a deferred annuity on her own life or the life of her husband, the same relief shall be given as is given to the husband in respect of premiums paid by him.

The premiums must be paid in cash. No relief can be claimed in respect of premiums which are paid by raising loans on the security of the policy or deducted at maturity (*Hunter* v. *Rex* 1904, 5 T.C. 13; and *Rex* v. *Special Commissioners ex parte Horner* 1932, 17 T.C. 362) or paid by applying reversionary bonuses (*Watkins* v. *Jones* 1928, 14 T.C. 94).

Relief is given against income at the rate of two-fifths of the allowable premiums, providing the total premiums paid exceed £25. If the total premiums do not exceed £25, the relief is £10 or the amount of the premiums, whichever is the smaller. Except where the total premiums do not exceed £25, the aggregate allowable premiums cannot exceed one-sixth of the taxpayer's total income and only that part of the premiums which does not exceed seven per cent. of the actual capital sum assured payable on death (excluding bonuses) can be included in the allowable premiums.

Illustration (1)

The husband has earned income in 1958/59 of £1,800 and his wife has unearned income of £600. The husband pays premiums on the undermentioned life assurance policies:

	Sum assured	*Premium*	*On life of*
	£	£	
Moon Insurance Co. Ltd.	1,000	60	Husband
Continental Assurances Ltd.	500	40	Wife
Harried Insurance Co. Ltd.	3,600	230	Husband
Anxious Assurance Co. Ltd.	1,500	100	Wife

The policies were taken out in the above order.

The allowable premium on the policy taken out with Continental Assurances Ltd. will be seven per cent. of £500, or £35. The total of the allowable premiums is, therefore, £60+£35+£230+£100=£425. This amount exceeds one-sixth of the total income of £2,400 or £400; therefore, life assurance relief is restricted to two-fifths of £400=£160.

The tax payable will be:

	£	£
Earned income		1,800
Unearned income		600
		2,400
Less: Earned income relief: 2/9ths of £1,800	400	
Personal relief	240	
Life assurance	160	
		800
		1,600
First £360		93
Next £1,240		527
		620

Illustration (2)

The facts are the same as in Illustration (1) except that the wife's income is earned.

	£	£
Earned income: Husband		1,800
Wife		600
		2,400
Less: Earned income relief: 2/9ths of £2,400	534	
Personal relief	240	
Additional personal relief	140	
Life assurance	160	
		1,074
		1,326

Husband	*Wife*	*Total*		£	s.	d.
£	£	£				
60	60	120	at 2/3	13	10	0
150	150	300	at 4/9	71	5	0
150	76	226	at 6/9	76	5	6
680	–	680	at 8/6	289	0	0
1,040	286	1,326		450	0	6

Reduced rate relief on wife's earned income is calculated as follows:

	£	£
Earned income		600
Less: Earned income relief: 2/9ths of £600	134	
Additional personal relief	140	
Life assurance: 2/5ths of 1/6th of £600	40	
		314
		286

As relief can be given in respect of part of the life assurance premiums paid only because of the wife's earned income, relief on that part must be deducted in computing the reduced rate relief claimable in respect of her earned income (Section 220, Income Tax Act, 1952).

Illustration (3)

Facts as in (1), except that the husband's earned income is £600 and his wife's earned income is £1,800.

	£
Earned income: Husband	600
Wife	1,800
	2,400
Less: Allowances as above	1,074
	1,326

Husband	*Wife*	*Total*		£	s.	d.
£	£	£				
60	60	120	at 2/3	13	10	0
126	150	276	at 4/9	65	11	0
—	150	150	at 6/9	50	12	6
–	780	780	at 8/6	331	10	0
186	1,140	1,326		461	3	6

Reduced rate relief on wife's earned income:

	£	£
Earned income		1,800
Less: Earned income relief	400	
Additional personal relief	140	
Life assurance: 2/5ths of 1/6th of £1,800	120	
		660
		1,140

Reduced rate relief on £360.

Reduced rate relief on husband's earned income:

	£	£
Earned income		600
Less: Earned income relief	134	
Personal relief	240	
Life assurance: 2/5ths of 1/6th of £600	40	
		414
		186

Relief on £60 at 2/3 and £126 at 4/9.

The above illustrations provide further examples of the differences that arise in tax payable, according to variations in the proportions in which husbands and wives contribute to the same total income.

How to Get More Bank Interest (Net)

INTEREST RECEIVED ON amounts deposited in bank deposit accounts is assessable under Schedule D, Case III. The assessment is based on the income arising (that is, credited to the account) in the previous fiscal year, except where there are new or discontinued sources. The rules in those circumstances are varied as follows.

New sources

First year of assessment in which the income arises.	Assessment is based on the actual income from the date it first arises to the following April 5.
Second year of assessment in which the income arises.	Assessment is based on the actual income received in that fiscal year—unless the income first arose on April 6 in the first year, when assessment is on the previous year's income.
Third and succeeding years of assessment.	Assessment based on income arising in the previous fiscal year.

For the first year in which the assessment can be based on the preceding year's income, the taxpayer can claim to have that assessment based on the actual year's income instead.

Discontinued source

Year of assessment in which the source is disposed of.	Assessment is based on the actual income from April 6 to date of disposal.
Year of assessment immediately prior to that in which source disposed of.	Assessment is based on the income of the preceding fiscal year or the income of the actual year, whichever is the larger.

There are rules relating to circumstances in which no income is received in the ultimate or penultimate years or for six years, but these rules are not relevant to this article.

While an addition to a bank deposit account is strictly assessable as a new source and a withdrawal from the account as a discontinued source (see *Hart* v. *Sangster* [1956] 3 All E.R. 52), providing the amounts added and withdrawn are not material the bank account will itself be treated as the source. Even without this practical working rule, every accountant should watch the position where his client has a bank deposit account.

Assuming a client deposited £10,000 in a bank deposit account on January 1, 1954, the interest credited, allowing for variations in the rate of interest only, would have been:

	£		£
1954, June 30 ..	69	1957, June 30 ..	154
Dec. 31 ..	50	Dec. 31 ..	209
1955, June 30 ..	103	1958, June 30 ..	221
Dec. 31 ..	125	Dec. 31 ..	132
1956, June 30 ..	162	1959, June 30 ..	125
Dec. 31 ..	175		

If the client had not closed the account the assessments would be:

1954/55	£119	1955/56	£228	1956/57	£228
1957/58	£337	1958/59	£363	1959/60	£353=£1,628

The effect of closing the accounts at various dates is shown below:

	Account closed 1/7/59		*Account closed 31/12/58*	
Fiscal Years	*Actual income received*	*Assessments*	*Actual income received*	*Assessments*
	£	£	£	£
1954/55	119	119	119	119
1955/56	228	228	228	228
1956/57	337	228	337	228
1957/58	363	337	363	363
1958/59	353	363	353	353
1959/60	125	125	—	—
	1,525	1,400	1,400	1,291

Care must be taken not to pick the wrong date to close and open the accounts! If the account was closed on December 31, 1956, and if the account was re-opened on April 6, 1957, and the interest from that date to June 30, 1957, was £77, the position would be:

	Account closed 31/12/56	
Fiscal Years	*Actual income received*	*Assessments*
1954/55	119	119
1955/56	228	228
1956/57	337	337
	Account reopened 6/4/57	
1957/58	286	286
1958/59	353	353
1959/60	250	250*

As the interest at December 31, 1959, will be £125 (making £250 for the year), it will be advisable to close the account prior to April 5, 1960, otherwise tax will be paid on assessments exceeding the income received.

Clearly, when the Bank Rate is rising the account should be kept open, but consideration should be given to closing it as soon as the rate is reduced.

* Reduced from £353.

Taxation Notes

Illegal Trading

In the case of *Mann* v. *Nash* (1932, 16 T.C. 523), profits of an amusement caterer from automatic machines used for gaming were held to be assessable. Mr. Justice Rowlatt said in his judgment that the machines themselves were not unlawful things to have, but when they were used for the purpose of gaming that use became an offence. As the machines were placed by the amusement caterer with proprietors of public premises for people resorting there to indulge in gaming by the use of them, and the profits were shared, he had been a party to illegal gaming. The Judge could see no distinction between a trade which is wholly illegal and a trade which only includes illegal transactions. There was no illegality in the profits made from selling the machines, but there was in the proceeds from gaming. In taxing income from illegal trading, the Revenue, representing the State, is not condoning the offence; it has not taken part in it; it merely finds profits made from what appears to be a trade, and the Income Tax Acts say that profits from trading have to be taxed.

Similarly, the profits from ready-money and street betting, though these are illegal businesses, are taxable (*Southern* v. *A.B.* (1933), 18 T.C. 59).

It is interesting to note that in Eire, where the tax laws have the same foundation, the opposite view has been taken in two cases. The first was that of a turf commission agent assessed on the profits of two sweepstakes carried on by him. It was held that as the profits were derived from a source prohibited by law, the profits were not within the Acts (*Hayes* v. *Duggan*, 1929, I.R. 406; 413) on the grounds that *allegans suam turpitudinem non est audiendus*. In the *Mann* case (above) Mr. Justice Rowlatt said (referring to the *Duggan case*): "I cannot see that the State are alleging their own turpitude; it is the appellant who is alleging his own turpitude. . . . It is said again: 'Is the State coming forward to take a share of unlawful gains?' It is merely rhetoric. The State are doing nothing of the kind; they are taxing the individual with reference to certain facts. . . . I think it is only rhetoric to say they are sharing in [the] profits, and a piece of rhetoric which is perfectly useless for the solution of the question." So, as stated above, his decision was diametrically opposite to that of the Eireann judges.

The second case was that of a trader assessed on the profits from placing out automatic machines and pin tables in various premises, the proceeds of gaming in them being shared between the trader and the proprietors of the premises. The *Duggan* case (above) was followed. In the opinion of Davitt, P., there was a trade which, if lawful, would be properly assessable, but since the profits were of a business which was wholly criminal the profits were not taxable (*Collins* v. *Mulvey*, 1955, I.T.C. 83).

Although the interpretation of the law is so different in the two jurisdictions, it is interesting to note that in the *Duggan* case (quoted with approval in the *Collins* case) a broad distinction was drawn between cases in which it appears from investigations into the accounts of a lawful business that a portion of the profits may have been derived from illegal methods of conducting it and cases such as those in point where the entire transaction or trade is illegal *per se*. Thus it seems that even in Eire, a publican, part of whose profits were made by sales during prohibited hours, or a pawnbroker, part of whose profits came from stolen goods, could not claim exemption on that part of the profits which was earned by crime.

Shop Fronts and Fittings

Many queries arise on the treatment of shop fronts, the suggestion being that they are fittings. This seems a very difficult argument with which to succeed, and the official view is that shop fronts are parts of the buildings. Accordingly, only the cost of renewal, less the value of any improvement, is allowed. Shop fittings are in a different category: these are regarded as machinery and plant, attracting capital allowances. If the renewals basis is adopted, they still attract investment allowances.

Sports Pavilions

It must not be overlooked that a building occupied by a person carrying on any trade and used as a sports pavilion for the welfare of all or any of the workers employed in that trade is treated as an industrial building or structure (Section 272, Income Tax Act, 1952). Investment, initial and annual allowances, therefore, apply to capital expenditure on a sports pavilion, even if the trade is that of a retailer or a hotel keeper, whether or not such allowances are available for any other buildings.

Ninth National *Taxation* Conference—

The ninth National *Taxation* Conference was held at Folkestone from October 9 to 12, 1959, under the chairmanship of Mr. Percy F. Hughes. Proceedings commenced with an opening address from the chairman, in the course of which he suggested that the surtax provisions relating to companies should be amended so that directions could be made only in respect of reasonable distributions instead of applying to the actual income of the company, and that the provisions relating to expenses wholly, necessarily and exclusively incurred in the performance of an employee's duties should be brought up to date.

The Mayor of Folkestone followed Mr. Hughes and gave a civic welcome to those attending the conference.

Members of the conference then settled down to an enjoyable hour with Mr. W. F. B. Smith, Accountant and Comptroller-General, Inland Revenue, who spoke on "The work of the Accountant and Comptroller-General's Department." He mentioned that the Board of Inland Revenue was formed in 1849, when the annual yield from income tax was £10 million out of its total revenue of

£40 million, while today the corresponding figures were £2,500 million and £3,000 million. In the same period the staff in the Accountant and Comptroller General's Department had risen from 96 to 5,500. In addition to describing the departments responsible to the Board of Inland Revenue and their functions. Mr. Smith brought many exhibits of old Inland Revenue records, which were exhibited during the conference. These included the first annual report of the Inland Revenue, a pistol and a receipt for tax showing the deduction of the Collector's salary from the amount received! Mr. Smith's lecture, and his thoughtfulness in bringing these exhibits, were much appreciated.

A cocktail party was held on Friday evening, and members watched a play on Saturday morning. The play took the form of three mock interviews with the directors of a company and the Revenue to discuss the application and effect of Section 245, Income Tax Act, 1952. The interviews were (*a*) a Board meeting to discuss the position arising out of an inquiry by the Special Commissioners; (*b*) an interview with representatives of the Special Commissioners to discuss the case; and (*c*) another Board meeting to reconsider the matter and the possibility of a settlement. From remarks heard between members throughout the course and even during the dinner dance, the efforts of those taking part (Mr. P. F. Hughes, Mr. J. T. Patterson, F.C.A., Mr. T. L. Crispin, A.C.A., Mr. R. J. Pickerill, A.C.A., Mr. K. R. Tingley, A.A.C.C.A., and Mr. J. A. Luke, A.C.A.) aroused considerable interest.

—Pensions, Cases, Estate Duty Valuation—

Saturday afternoon saw two addresses, the first on "Retirement Pensions—A Practical Survey," by Mr. G. A. Hosking, F.I.A., F.S.S., F.I.S., and the second on "Recent Tax Cases in the News—Some Interesting Points." by Mr. M. F. Coop, B.A. Mr. Hosking divided his address into three parts, covering employees' pensions, national pension schemes and pensions payable to persons not in employee schemes. A wide survey was made of the history of the subject and the present position. Replying to questions, Mr. Hosking pointed out that an employer should not contract out of the scheme arising under the National Insurance Act, 1959, in respect of employees earning less than £12 per week. Mr. Coop dealt principally with three cases: *Maden & Ireland Ltd.* v. *Hinton* (1958, C.A., T.R. 321); *C.I.R.* v. *Hinchy* (1958, T.R. 359); and *Unit Construction Co.* v. *Bullock* (1958, 3 All E.R. 186). For each case a full description of the facts was given.

On Saturday evening a dance with an excellent cabaret followed the Mayoral reception.

In the first session on Monday morning, Mr. I. M. Bowie, M.A., C.A., spoke on "Estate Duty—Valuation of Shares in Private Companies." He dealt in separate parts of his address with the valuation of minority shareholdings; the valuation of shares under Section 55, Finance Act, 1940, as amended in the Finance Act of 1954; and valuation under Section 46, Finance Act, 1940. In connection with the first type of valuation, he described the original provisions contained in the Finance Act, 1894, and the decisions in *C.I.R.* v. *Holt* [1953] 2 A.E.R. 1499, and *C.I.R.* v. *Crossman & Mann* [1937] A.C. 26.

In the break between this and the final session, Mrs. T. J. M. Staples presented the *Taxation* Golf Challenge Cup to Mr. J. R. Pullan, F.C.A.

—And Capital Allowances

The final address was by Mr. J. N. Cooper, A.A.C.C.A., A.C.I.S., on "Capital Allowances, including references to Investment Allowances." A brief history of the cases arising from the provisions of the Income Tax Act, 1945 (now principally contained in Parts X and XI of the Income Tax Act, 1952) showed the background to the revised provisions in the Finance Act, 1952, relating to the imposition of balancing charges. Mr. Cooper described the present provisions on investment allowances. He pointed out that, in contrast with the position after the receipt of an initial allowance, the effect of the investment allowance was immediately seen in the case of plant but not in the case of industrial buildings. In his opinion it is unsatisfactory that as a result of the Finance Act of 1959 two different readings of the same Section of the Income Tax Acts must be made according to the type of assets under consideration. This arises because on most new plant the initial allowance is only one-tenth, but in the case of motor cars (and, incidentally, all secondhand plant) it remains at three-tenths.

While the members of the conference were attending the business sessions, their ladies went on a coach tour through the beauty spots of Kent and listened to a talk and demonstration of the Sogetsu Ryu School of Japanese Floral Art by Mrs. Stella Coe. Both events were much enjoyed.

In formally closing the conference, Mr. P. F. Hughes announced that the Tenth National *Taxation* Conference would be held at Harrogate from September 23 to 26, 1960.

Annuities, etc., Payable "Free of Tax" under Pre-war Arrangements

When the standard rate of income tax was increased to 10s. in the £, it was considered that the burden of the increased rate over the rate for 1938/39 (5s. 6d.) should fall on the payee. (See now Sections 486 and 488, Income Tax Act, 1952.) The provisions apply for 1941/42 onwards to any arrangement made in writing before September 3, 1939, and not varied on or after that date (but before July 22, 1941—*Fitzgerald* v. *C.I.R.* 1944, 26 T.C. 126), for the payment of the stated amount free of income tax or free of income tax other than surtax, contained in

(*a*) any deed or other instrument; a deed of appointment exercised before September 3, 1939, is within the provisions even if a contingency giving right to the income arises up to that date (*Re Westminster's Deed of Appointment* [1959] Ch. 265);
(*b*) a will or codicil (for this purpose a will is "made" on the date of death (*Berkeley* v. *Berkeley*, [1946] A.C. 555));
(*c*) a Court Order;
(*d*) a local or personal Act of Parliament; or
(*e*) any contract.

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A provision to pay such a sum as after deduction of tax will be equal to a stated amount is caught.

A provision in any document for the payment of interest without deducting tax is void (Section 506) and the payer may deduct tax—such an arrangement is not within the provisions under discussion. Moreover, if a document provides for increases in rate of tax, the provisions do not apply—for example, where the trustees are to pay tax up to a certain rate the document must be complied with. Dividends do not come into the provisions.

Since the deduction of income tax at 5s. 6d. on £1 would leave 14s. 6d., that is, 58/80ths, and 7s. 9d. on £1 would leave 12s. 3d., that is, 49/80ths, the increase in tax is passed on by reducing the stated amount payable to 49/58ths of that amount. Thus a stated (net) amount of 14s. 6d. would be reduced to 49/58ths of 14s. 6d.= 12s. 3d., keeping the gross amount constant. When the standard rate was 8s. 6d., the fraction was 46/58ths (23/29ths), giving a net of 11s. 6d. The numerator of the fraction for the decrease is 58 less one for each 3d. in the rate over 5s. 6d.; the denominator is 58. This retains the gross equivalent at what it was in 1938/39.

Illustration: A man borrowed £4,350 prior to September 3, 1939, under an agreement to pay interest at such rate as after deduction of income tax at the standard rate would amount to 2½ per cent. In 1938/39 the amount would have been £108 15s., equivalent to £150 gross.

For 1959/60 the amount will become 49/58ths of £108 15s.= £91 17s. 6d., the net of £150 with income tax at 7s. 9d.

The payee, therefore, bears the increase in the rate of tax (7s. 9d.—5s. 6d.=2s. 3d.), since £150 at 2s. 3d. =£16 17s. 6d., equal to £108 15s.—£91 17s. 6d. The payer bears 5s. 6d. in the £ (£41 5s.) as before. The amount to be included in the total income for 1959/60 of the payee is £150, which is an annual payment of the payer.

Should surtax be included in the free-of-tax arrangement, the payer will have to pay to the payee the amount necessary to discharge the latter's surtax on the stated amount, but this is reduced for 1959/60 to 49/58ths of the amount which would have been enough for the purpose at 1937/38 surtax rates. The surtax appropriate to the payment appears to be the fraction that the gross amount of the (reduced) stated amount bears to the payee's income chargeable to surtax.

Thirty Years Ago

We reproduce an income tax receipt for the year 1929/30. As can be seen, matters were very much simpler in those days than they are now.

No.

INCOME TAX AND LAND TAX—YEAR 1929/30
ending April 5, 1930, in respect of Income Tax, and
March 24, 1930, in respect of Land Tax

Parish or Place of .....

District .....

Name of Person assessed, or Occupier (Schedule A) .....

Description of Property (Schedules A & B) .....

No. of assessment	INCOME TAX	Amount on which one-half the tax at the standard rate is chargeable equivalent to a charge of 2/- in the £	Amonnt chargeable at the standard rate of 4/- in the £	First Instalments, or tax where payable in one sum			Second Instalments		
				£	s.	d.	£	s.	d.
	Schedule A		—						
		—							
	Less any relief due to owner and not otherwise allowed								
	Schedule B		—						
		—							
	Schedule D								
	Schedule E								
	Half-Yearly Assts.	Half-Year ended:		October 5, 1929			April 5, 1930		
	LAND TAX	Amount on which tax is payable	Rate in the £ for the year	Tax for the year					

Cheque M.O. P.O.	S. Card Cash

RECEIVED the sum of £ : s. d. from Mr. .....

this ..... day of ..... 19.....

.....Collector

Tax Reserve Certificates

Interest attaches to a Tax Reserve Certificate provided the tax is due not less than two months from the date of the certificate, but not more than 24 months' interest will be allowed. No interest is allowed except where the certificate and interest are tendered in payment of tax. If repayment is required, only the cost of the certificate is repaid. Certificates are not accepted for Schedule C tax, for tax deducted by paying agents from oversea dividends, or for Schedule E tax.

The introduction of Overseas Trade Corporations (O.T.C.) has added a new "due date" to the list, in that where the tax charged on an O.T.C. becomes payable one month after the assessment is signed and allowed, the due date will be the day next following the end of a period of three months from the date on which the dividend or distribution in respect of which the assessment is made becomes due.

Double Taxation—Sweden

Drafts have been agreed in discussions in London between representatives of the Swedish Government and the United Kingdom Inland Revenue for a double taxation agreement on death duties and for the revision of the existing agreement on income tax. The drafts are subject to the approval of the two Governments.

Tax in Belgium

The Canadian Tax Foundation has issued number seven in its series of pamphlets under the above heading. It deals with Belgium (which includes not only Belgium in Europe but also the Belgian Congo and the Territory of Ruanda-Urundi).

The pamphlet sets out the components of the tax structure, which comprises three basic taxes:

(1) The "professional tax" levied on business profits, professional fees and salaries, wages and other remuneration from employment, including pensions;

(2) "Movable capital tax" levied at varying flat rates on investment income; and

(3) "Cadastral income tax" imposed at a flat rate on income from real property.

For certain categories of income, the basic taxes are supplemented by a national emergency tax levied at progressive rates on some forms of income and at a flat rate on dividends. There is also a complementary personal tax which is a progressive surtax on the global income of individuals.

It is interesting to note that Belgium has the concept of a fiscal domicile which takes into account the factor of residence but differs from the concept of civil domicile, so far as individuals are concerned, because it attaches more importance to the individual's circumstances than to his intentions as to domicile. A corporation incorporated in Belgium is deemed to be domiciled there and any other corporation which has its principal administrative establishment in Belgium will be deemed to have its fiscal domicile there.

Copies of the pamphlet can be obtained on request from the Canadian Tax Foundation, 154 University Avenue, Toronto, 1. We suggest that anyone writing should enclose an international reply coupon to cover the postage.

Tolley's Manuals

Tolley's publications* have now appeared in their familiar form. The *Chart-Manual* incorporates the provisions of the Finance Act, 1959, and High Court decisions, changes in practice, concessions, etc., up to July, 1959. The *Synopsis of Profits Tax* includes not only the new allowance for directors' remuneration but the whole of the past legislation, with examples. The *Synopsis of Estate Duty* has been brought up to July, 1959, including the important provisions regarding life assurance policies. The *Irish Synopsis* includes the considerable changes which have taken place up to July, 1959, and shows clearly the differences between United Kingdom and Irish law. The *Synopsis of Taxation in the Channel Islands and the Isle of Man* is also complete with the changes brought about by the 1959 Budget in each case. The *Tables* are exceedingly useful and will be in constant use by purchasers.

* *Tolley's Income Tax Chart-Manual 1959/60* (44th edition), 17s. *Tolley's Synopsis of Profits Tax* (23rd edition) 6s. *Tolley's Synopsis of Estate Duty* (10th edition), 6s. *Tolley's Synopsis of Taxation in the Republic of Ireland*, 2s. 6d. *Tolley's Synopsis of Taxation in the Channel Islands and Isle of Man*, 6s. *Tolley's Tax Tables*, 7s. 9d. *Rate and Reduced Rate Relief, Etc.*, 4s. 6d. (*Chas. H. Tolley & Co., 33 Nottingham Place, London, W.1.*)

***Taxation* Key and Manual**

The 1959/60 Finance Act edition of the well-known "*Taxation*" *Key to Income Tax and Surtax* retains all its useful features. By means of a thumb index, very rapid reference can be made to the chief provisions regarding the different types of income, allowances, computations, exemptions, etc. Being bound in stiff paper, it is comparatively light to carry about when necessary. The *Key* is edited by Percy F. Hughes, and published by Taxation Publishing Co. Ltd., at 10s. net.

The same publishers have issued an addendum (with gummed slips) dated September, 1959, to the ninth edition of "*Taxation*" *Manual*, to bring the work up to date. It is free to subscribers to the ninth edition, which was published last year at 25s. net.

Refunded Contributions from Superannuation Funds

In the note in our October issue (pages 547–8) the fraction printed as 37/351 should be 31/351.

To What are We Coming?

In Potter and Monroe (assisted by Bates) on *Tax Planning* (3rd edition) it is said on page 206: " . . . a marriage settlement, or marriage gift, enjoys substantial advantages under the existing revenue law. Indeed, if it is possible to piece together from the shapeless bulk of revenue legislation any general rules of policy, one such rule must be that marriage gifts are to be encouraged." A footnote adds, however: "Unfortunately, by the same type of reasoning, it is almost equally easy to demonstrate that it is a principle of current revenue law that marriage itself should be discouraged unless the wife goes out to work." We might add that surtax greatly aggravates the discouragement to marriage!

Recent Tax Cases

Income Tax

Claim to exemption—Residence in Republic of Ireland — Appeal — Claim allowed by Appeal Commissioners—Order for payment of tax—Stated case demanded by defendants—Whether tax repayable immediately — Income Tax Act, 1918, Section 40 (3)—Finance Act, 1925, Section 19 (3)—Finance Act, 1926, Section 25—Income Tax Act, 1952, Sections 5, 8, 63, 64, 224, 450, Schedule VI, Schedule XVIII, Part III, paragraph 4 (3).

The cases of **Collco Dealings Ltd. *v.* C.I.R., Lucbor Dealings Ltd. *v.* C.I.R.** (Q.B.D., 1959, T.R. 221) concerned the alleged right of the plaintiffs to recover sums of income tax from the defendants forthwith, notwithstanding that the decision of the Special Commissioners, who allowed the plaintiffs' repayment claims under paragraph 4 (3) of Part III of Schedule XVIII to the Income Tax Act, 1952, and made an order for repayment, was in dispute and under appeal to the High Court.

Donovan, J., said that the Special Commissioners regarded themselves as having inherent power to make an order for repayment as a necessary consequence of their decision in law that the claim was made out, but his Lordship doubted whether they had this power. Where a disputed claim for ordinary reliefs from tax was resolved in favour of the taxpayer, Section 224 of and paragraph 3 (3) of Schedule VI to the Act of 1952 conferred express power on the Special Commissioners to "issue an order for repayment" if too much tax had been paid by deduction or otherwise, but no corresponding power was contained in paragraph 4 of Part III of Schedule XVIII to the Act, which provided that the Special Commissioners were to "hear and determine the claim." This was precisely the same language as that contained in Section 450 of the Act of 1952, which dealt with disputed claims for exemption from tax as a charity. The specific direction contained in Section 40 (3) of the Income Tax Act, 1918, that where, in the case of charities and certain other bodies, the Special Commissioners allow a claim they shall issue an order for repayment, had now gone, and no claim in the present case could be based upon any order of the Special Commissioners, for the relevant words of Section 450 of, and paragraph 4 (3) of Part III of Schedule XVIII to, the Act of 1952 were the same.

The plaintiffs, however, rested their claim mainly upon another ground. Paragraph 4 (3) of Part III of Schedule XVIII provides as follows:

> Where any such application as aforesaid is made, the Special Commissioners shall hear and determine the claim in like manner as an appeal made to them against an assessment under Schedule D, and all the provisions of this Act relating to such an appeal (including the provisions relating to the statement of a case for the opinion of the High Court on a point of law) shall apply accordingly *with any necessary modifications.* (Our italics.)

One of the provisions relating to an appeal against an assessment under Schedule D is Section 63 (2) of the Act of 1952, which states that:

> Notwithstanding that an appeal to the General Commissioners or Special Commissioners is pending against an assessment under Schedule D—
>
> (*a*) such part of the tax assessed as appears to the General Commissioners or the Special Commissioners, as the case may be, not to be in dispute shall be collected and paid in all respects as if it were tax charged by an assessment in respect of which no appeal was pending; and
>
> (*b*) on the determination of the appeal, any balance of tax chargeable in accordance with the determination shall be paid, *or any tax overpaid shall be repaid,* as the case may require. (Our italics.)

The plaintiffs contended that paragraph 4 (3) of Part III of Schedule XVIII incorporated the provisions of Section 63 (2) (*b*) and that, therefore, repayment was due at once notwithstanding the appeal by the Commissioners of Inland Revenue to the High Court, the necessary modification involved being simply that for the words "tax overpaid" in Section 63 (2) (*b*) there should be read the words "tax suffered by deduction from the dividend."

Donovan, J., said that he could not accept this contention. Section 63 (2) dealt with the case of an appeal where part of the tax was in dispute and part was not, and the tax under Schedule D was suffered by the appellant upon his own income. The whole of Section 63 (2) was directed to curing the situation where, prior to Section 25 of the Finance Act, 1926 (which, though subsequently modified in certain respects, was still the ancestor of Section 63 (2)), a taxpayer need pay nothing at all pending the hearing of his appeal, however small a fraction of the total tax he disputed. A more definite and precise provision was called for to make Section 63 (2) applicable to the case where a taxpayer was claiming repayment of tax suffered on a dividend declared out of a fund of profits which had borne no more than its proper tax in the hands of the company.

As an alternative to their argument related to Section 63 (2), the plaintiffs said that Section 64 (10) of the Act of 1952 also required no more than a modification to enjoin the repayment of tax by the Inland Revenue despite their demand for a case stated. Section 64 (10) reads thus:

> Notwithstanding that a case has been required to be stated or is pending before the High Court, tax shall be paid in accordance with the assessment of the Commissioners who have been required to state the case:
>
> Provided that, if the amount of the assessment is altered by the order or judgment of the High Court, then—
>
> (*a*) if too much tax has been paid, the amount overpaid shall be refunded with such interest, if any, as the High Court may allow; or
>
> (*b*) if too little tax has been paid, the amount unpaid shall be deemed to be arrears of tax . . . and shall be paid and recovered accordingly.

It will be seen that this alternative argument possessed less merit than that founded on Section 63 (2), for, as was pointed out by his Lordship, Section 64 (10) requires the taxpayer to pay despite his demand for a case but imposes no similar obligation upon the Inland Revenue to repay despite their similar demand. Consequently, said his Lordship, not a modification but a rewriting of the sub-Section would be required before the plaintiffs could succeed upon it.

The learned Judge described as interesting yet another argument put forward on behalf of the plaintiffs, that if the Commissioners of Inland Revenue had allowed the claim under paragraph 4 (1) of Part III of Schedule XVIII they would have had to repay, and that the decision of the Special Commissioners put the Inland Revenue in the same position now, since the plaintiffs' claim had been crystallised by the Special Commissioners' determination in their favour. But if that were right,

said the Judge, then a taxpayer assessed under Schedule D would be in the like position once his appeal had been allowed, and any overpaid tax would be repayable to him. In this respect, however, the Act of 1952 was one-sided and it seemed clear from Section 64 (10) that no such right was given.

As to the particular provisions under which the plaintiffs would recover the tax if they were ultimately successful, the income tax code had always been curiously imprecise, but the court could give a direction for repayment in its formal order and had frequently done so under Section 64 (6) and the proviso to Section 64 (10) of the Act of 1952.

Altogether, this is an illuminating judgment upon a somewhat abstruse point.

Income Tax

Investment allowance—Shoe and slipper manufacturers—Replacement of knives and lasts—Sums expended on replacement allowed as deductions for income tax purposes—Whether knives and lasts "machinery or plant"—Whether expenditure on replacement of a capital nature—Income Tax Act, 1952, Sections 137 (d) (f), 279 (1), 280, 330 (1) (a)—Finance Act, 1954, Section 16 (1), (3) (c), (10).

The two questions for the decision of the House in **Hinton v. Maden and Ireland, Ltd.** (House of Lords, 1959, 1 W.L.R. 875) were (i) whether knives and lasts, or in the alternative whether either knives or lasts, were "machinery or plant" within the meaning of Sections 279 and 280 of the Income Tax Act, 1952, and Section 16 (3) of the Finance Act, 1954, notwithstanding that deductions in respect of the knives and lasts, as "implements, utensils or articles employed", had been allowed under Section 137 (*d*) of the Act of 1952; and if so, (ii) whether the replacement expenditure incurred thereon by the respondents was of a capital nature so as to qualify for an investment allowance. The facts of the case—the first of its kind to come before the Courts—were noted in our issue of July, 1958 (page 356).

The Special Commissioners found that the knives and lasts were machinery or plant and that the respondents were entitled to the investment allowance claimed. This determination was reversed by Vaisey, J., but his decision was in turn reversed by the Court of Appeal (which regarded the case as difficult), and the decision of the Court of Appeal has now been affirmed by the House of Lords by a majority of three to two.

Two statutory provisions are particularly relevant to an understanding of this case, namely, Section 330 (1) of the Act of 1952, and Section 16 (1) and (3) of the Act of 1954. Section 330 (1) provides that sums allowed as deductions from profits or gains under Section 137 (*d*) of the Act of 1952 do not qualify for initial allowances. Section 16 of the Act of 1954 provides that:

> (1) In the cases provided for by this Section, an allowance (in this Act referred to as an "investment allowance") shall be made in respect of capital expenditure on new assets incurred after April 6, 1954 . . . (3) An investment allowance equal to one-fifth of the expenditure shall be made instead of an initial allowance under Chapter II of the said Part X in respect of expenditure on the provision of new machinery or plant, and any provision of the Income Tax Acts applicable to initial allowances under that Chapter, so far as is applicable in relation to allowances for new assets, shall apply also to investment allowances under this subsection, except that . . . (*c*) where the expenditure on new machinery or plant is allowed to be deducted in computing profits or gains for the purposes of income tax, it shall nevertheless be treated as capital expenditure for the purposes of this sub-Section, if it would be so treated for the purposes of the said Chapter II but for the deduction.

Lord Tucker said that the joint effect of Section 330 and Section 16 (3) was to remove the disqualification for inclusion in capital expenditure attaching to sums which had been allowed by way of deduction for income tax in computing the profits or gains of a trade. This left the expenditure in question to be judged free from any consideration of how it had been or should be dealt with under Section 137 of the Act of 1952. The fact that under that Section it had been allowed as a deduction was not to prejudice it in qualifying for treatment as capital expenditure for the purposes of Section 16 of the Act of 1954.

Lord Jenkins said that in order to make good their claim to an investment allowance that respondents had to show that the expenditure on knives and lasts was "capital expenditure on new assets" within Section 16 (1) and also that it was "expenditure on the provision of new machinery or plant" within Section 16 (3). The knives and lasts were clearly new assets (see Section 16 (10), which defines "new" in relation to machinery and plant as meaning "unused and not second-hand"), and clearly also were not "machinery." He had no doubt that the knives and lasts were "plant". In *Yarmouth* v. *France* (1887) 19 Q.B.D. 647, 658, Lindley, L.J., had defined "plant" in these words:

> There is no definition of plant in the Act (the Employers' Liability Act, 1880) but, in its ordinary sense, it includes whatever apparatus is used by a business man for carrying on his business—not his stock-in-trade which he buys or makes for sale, but all goods and chattels, fixed or moveable, live or dead, which he keeps for permanent employment in his business . . .

The reference to "permanent employment" in the business demanded some degree of durability. This was satisfied in the present case by the life of three years attributed to lasts and sole knives. It was true that upper knives were given a life of only twelve months, but he could not regard that circumstance as investing them with so transitory a character as to take them out of the category of plant to which they would otherwise belong. The other Lords agreed that knives and lasts were "plant" within the meaning of Section 16 (3) of the Act of 1954, but the House was divided on whether the expenditure in question was also of a capital nature.

Lord Jenkins thought that, subject to the requisite degree of permanence, an appliance which satisfied Lindley, L.J.'s definition of plant was well on its way to attaining the status of a capital asset, though the element of permanence loomed larger in the conception of a capital asset than it did in the conception of plant. The respondent company did not deal in knives and lasts, but acquired them for retention and use as part of its means of manufacturing shoes and slippers. In point of function the knives and lasts resembled the machines in conjunction with which they were used, and might be said to be assets producing income as distinct from assets representing income. The fact that they cost only a matter of about £1 each did not afford any ground for denying them the character of capital assets. In common with Lord Reid (who delivered the leading judgment) and Lord Tucker, he was influenced by the fact that the cost of the knives and lasts had been treated by the respondents as capital expenditure to be written off in two years, while the Revenue had acted on the view that the average life of the knives and lasts was three years and, in allowing deduction for income tax purposes, had spread the expenditure in each year over a period of three years. The House accordingly held (Lord Keith and Lord Denning dissenting) that the expenditure on knives and lasts was of a capital nature and that, having regard to the provisions of Section 16 (3) (*c*) of the Act of 1954, the respondents were entitled to an investment

allowance notwithstanding that deductions had already been made in respect of such expenditure under Section 137 (*d*) of the Act of 1952.

Section 16 of the Finance Act, 1954, was suspended in respect of expenditure incurred after February 17, 1956 (with the exception of certain special classes of expenditure) by Section 15 of the Finance Act, 1956, but investment allowances have been restored in the Finance Act, 1959 (see pages 601-2 of this issue).

Income Tax

Part-time specialist under National Health Service—Whether holding an office or employment—Whether exercising profession—Expenses of domiciliary visits to National Health patients —Expenses of locum tenens*—Expenses incurred in lecturing—Domiciliary work in other areas—Whether expenses assessable under Schedule E—Whether expenses liable under Schedule D—Income Tax Act, 1918, Section 1, Schedule E, Rule 6 —Finance Act, 1922, Section 18—National Health Service Act, 1946, Section 3—Income Tax Act, 1952, Schedule D, paragraph 1 (Section 122), Schedule E, paragraphs 1, 2 (Section 156).*

In **Mitchell and Edon v. Ross** (Ch. 1959, T.R. 225) the respondent held a part-time appointment under the National Health Service Act, 1946, as a consultant radiologist to a Regional Hospital Board. Four other cases were heard with this case. In the second, the respondent was a part-time consultant ophthalmologist to the Board, and he also undertook lecturing work to nurses. In the third case the respondent was a part-time consultant pathologist to the Board. The respondents in the two other cases held part-time appointments, the one as a psychiatrist and the other as a consultant thoracic surgeon, with different Regional Boards, and each also acted as *locum tenens* in respect of National Health appointments. All the respondents had private patients.

By Section 3 (1) of the Act of 1946 it is a duty of the Minister of Health to provide the services of specialists, whether at a hospital, a health centre or a clinic, or at the home of the patient. The Minister carries out his duties in the main by delegation to Regional Hospital Boards, and if a specialist wishes to attend National Health patients he is required to take an appointment with and become a member of the staff of a Regional Board. He may take a whole-time appointment with one Board or a part-time appointment with one or more Boards: in the latter event he agrees to work a number of sessions or notional half-days a week. The terms and conditions of the appointments are contained in a contract between the parties, which also provides for annual leave, reimbursement of travelling expenses, subsistence allowances and other incidental matters. A specialist is not subject to any control or direction on how he shall carry out his work in the sense of prescribing treatment for a particular patient.

The respondents incurred expenses in treating National Health patients, and claimed to be assessable under Schedule D and to be entitled to deduct their expenses. The appellants contended that the respondents held offices or employments and were assessable under Schedule E and that the expenses were not deductible. The following supplementary questions also arose: (i) whether the expenses of domiciliary visits came within Schedule D or Schedule E; (ii) whether the expenses of working as a *locum tenens* in respect of a National Health appointment came within Schedule D or Schedule E; (iii) whether fees and expenses incurred in lecturing came within one schedule or the other, and (*iv*) whether expenses of domiciliary visits in other areas were within Schedule D or Schedule E.

Upjohn, J., said that since Section 18 of the Finance Act, 1922, was enacted (see now the proviso to paragraph 1 of Schedule D (in Section 122) and paragraphs 1 and 2 of Schedule E (in Section 156) of the Income Tax Act, 1952), all offices and employments of profit, whether public or private, fell within Schedule E. There was but little authority on the meaning of the word "office" but it was considered in *Great Western Railway Co.* v. *Bater* (1922) 8 T.C. 231, and again in *McMillan* v. *Guest* (1942) 24 T.C. 190, where it was held that a director of a private company incorporated in England holds a public office within the United Kingdom. Many tests had been laid down to determine the existence or otherwise of the relation of master and servant, but the relationship between a specialist and a Regional Hospital Board was "so very special" that many of the cases, dealing either with entirely different types of engagements or with the pre-1946 relationship between hospitals and specialists, formed no safe guide. The real question was: "Does a specialist who holds a part-time National Health appointment (*a*) occupy an office, or (*b*) undertake an employment, or (*c*) does he merely render services in the course of the exercise or practice of his profession?"

The respondents said that their case was analogous to that of *Davies* v. *Braithwaite* (1931) 18 T.C. 198, where it was held that Miss Braithwaite, who accepted many engagements on the stage, in films and with the British Broadcasting Company, was only exercising her talents as an actress and that each of her engagements was not an employment but an engagement in the exercise of a profession. The true nature of the relationship between a Hospital Board and a specialist, however, was considered in the Court of Appeal in *Razzel* v. *Snowball* (1954) 3 All E.R. 429. That case decided that the Minister of Health was responsible for the negligence of a specialist, since it was the duty of the Minister under Section 3 (1) (*c*) of the Act of 1946 to provide treatment by means of specialists, and not merely to provide the specialists. Denning, L.J. (as he then was), said at page 432:

> Whatever may have been the position of a consultant in former times, since the National Health Service Act, 1946, the term "consultant" does not denote a particular relationship between a doctor and a hospital. It is simply a title denoting his place in the hierarchy of the hospital staff. He is a senior member of the staff, and is just as much a member of the staff as the house surgeon is.

A specialist or consultant carrying out duties under a part-time appointment with a Hospital Board was not merely rendering services as a private though professionally skilled and qualified individual to a private citizen, but he was the instrument of the Minister of Health to carry out part of the National Health scheme to provide for the establishment of a comprehensive health service.

The respondents thus were not only the holders of an office, as the Special Commissioners had found, but were the holders of a public office. The Commissioners had decided that the respondents were nevertheless assessable to tax under Schedule D, but they had misunderstood the effect of the decisions in *Davies* v. *Braithwaite* and *Household* v. *Grimshaw* (1953) 34 T.C. 366, and the conclusion of law which they had reached could not be supported. In each case stated there was a finding to the following effect:

> We also find that at all material times Dr. Ross exercised the profession of consultant radiologist, his part-time hospital appointments being a necessary part of the exercise of that profession by him and merely incidental thereto, notwithstand

ing that a great deal of his time was thereby taken up.

Counsel for the respondents had accordingly submitted that any expenses of Dr. Ross incurred in the course of exercising his part-time office which would not be allowable under Schedule E but would be allowable under Schedule D might be brought into account as part of the general exercise of the profession of a consultant radiologist. In a general sense, Dr. Ross was carrying on the profession of a radiologist whether he was performing his National Health functions or attending to private patients, but in his Lordship's judgment the argument of Counsel ought not to succeed. The fact that a hospital appointment was a necessary incident of the respondent's profession could not alter the position that a person holding an office or employment must be assessed to tax under Schedule E in respect of his earnings therefrom, while the expenses attendant thereon must be taxed under the Rules applicable to Schedule E and under no other schedule.

The carrying out of domiciliary visits as part of his duties by a specialist holding a National Health appointment was clearly contemplated in Section 3 (1) (*c*) of the Act, while a *locum tenens* of such an appointment was for the time being exercising the functions and holding the public office of another. In both cases, therefore, the expenses must be treated under Schedule E. The facts relating to lecturing and domiciliary visits in other areas were insufficiently explored before the Commissioners to enable his Lordship to decide whether such work was undertaken as part of the specialists' public offices or as part of their general practices. Consequently, as he had not been asked to send the cases back for further findings, the decision of the Commissioners that the expenses were deductible under Schedule D would stand for the relevant years of assessment and it would be left to some future case to resolve those two problems.

Income Tax

Relief from double taxation—Dividend stripping—Person entitled to exemption—Company resident in Republic of Ireland—Income Tax Act, 1952, Section 349—Finance (No. 2) Act, 1955, Section 4 (2).

In **C.I.R. v. Collco Dealings, Ltd., C.I.R. v. Lucbor Dealings, Ltd.** (Ch. 1959, T.R. 245), the respondent companies were incorporated in the Republic of Ireland. They claimed repayment of income tax in respect of dividends under paragraph 4 of Part III of Schedule XVIII to the Income Tax Act, 1952, on the ground that they were resident in the Republic of Ireland and not in the United Kingdom. The Inland Revenue refused repayment because there had been a process of dividend stripping and each respondent was "a person entitled under any enactment to an exemption from income tax which extends to dividends on shares" within Section 4 (2) of the Finance (No. 2) Act, 1955, which is directed against dividend stripping.

On appeal to the Special Commissioners it was contended on behalf of each respondent that the words quoted did not apply to residents of the Republic of Ireland. The Commissioners accepted this argument and allowed the appeal. (They also made an order for repayment of the tax in question, and in a separate case in the Queen's Bench Division, *sub. nom. Collco Dealings, Ltd.* v. *C.I.R.*, *Lucbor Dealings, Ltd.* v. *C.I.R.*, the present respondents unsuccessfully claimed to be entitled to repayment of the tax notwithstanding that an appeal by way of case stated was pending—see pages 609-10 of this issue.)

In the Chancery Division, Vaisey, J., said that the question to be decided by him was whether in Section 4 (2) of the Finance (No. 2) Act, 1955, the words "a person entitled under any enactment to an exemption from income tax" include and apply to persons resident in the Republic of Ireland and not in the United Kingdom, to whom exemption from tax is granted by Section 349 of the Income Tax Act, 1952—sub-Section (3) (*c*) of which provides that

> claims by persons resident in the Republic of Ireland shall, for any year for which the said agreements (referred to in sub-Sections (1) and (2)) are in force, have effect subject to the modifications set out in Part III of the said Eighteenth Schedule.

The Special Commissioners agreed that the quoted words in Section 4 (2) of the Act of 1955 were wide enough and appropriate to cover Irish residents entitled to exemption, such as the respondent companies, but they went on to say that the "very wideness and generality" of the words gave rise to the conclusion that they must be limited in their application. The learned Judge said that he would have described the words in question as highly narrow and particular, and not in the least degree either wide or general. They were absolutely unambiguous, and it was a cardinal principle of interpretation that the words of a statute must be taken to mean what they say, so that their meaning must be ascertained with no regard to any ulterior consequences of so interpreting them.

If Section 4 (2) of the Act of 1955 did any violence to or interfered with the arrangement between the United Kingdom and the Republic of Ireland embodied in the treaty mentioned in the stated case, the matter could not be cured by a process of interpretation which seemed to his Lordship to be illicit. If there was anything to be put right, it must be done either by diplomatic means or by legislation. The treaty (providing for relief from double taxation) had been incorporated in and was part of the statute law, and if it had thereby lost its superior status and now fell to be construed in its context along with the rest of that law, it had obviously been qualified by the plain terms of Section 4 (2). The case was not altogether an easy one, but the principles which governed it were accurately expressed in the tenth edition of *Maxwell on the Interpretation of Statutes*, at page 148, in these words:

> Under the same general presumption that the Legislature does not intend to exceed its jurisdiction, every statute is to be so interpreted and applied as far as its language admits as not to be inconsistent with the comity of nations, or with the established rules of international law. If therefore it designs to effectuate any such object, it must express its intention with irresistible clearness to induce a Court to believe that it entertained it, for if any other construction is possible, it would be adopted to avoid such an intention to the Legislature. All general terms must be narrowed in construction to avoid it. But if the statue is unambiguous its provisions must be followed, even if they are contrary to international law.

The learned Judge said that he would assume, but certainly not decide, that there had been, as alleged, an infraction or breach of the treaty, but he did not see that he could repair it by applying an inadmissible canon of construction. Adopting the concluding words of the quotation from *Maxwell*, he held that as the statute was unambiguous its provisions must be followed, even if they were contrary to international law or any international treaty or arrangements. The plain object of Section 4 (2) of the Act of 1955 was to prevent dividend-stripping; and if the decision of the Special Commissioners stood, residents in Ireland could do what their fellow taxpayers in the United Kingdom were prohibited from doing. If Parliament had intended to exclude residents in Ireland from the restrictions imposed by the Section, nothing would have been easier than to insert a few plain and

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simple words to give effect to that intention. In the result the respondents' claims to repayment of tax were inadmissible.

As is well known, the Finance Act, 1959, gives effect to a new agreement with the Republic of Ireland so that dividend stripping in one country cannot be carried out through finance companies in the other.

Estate Duty

Revision of amount—Estate partly in Scotland and partly in England—Life-rent valued on the "slice" principle—Slice principle subsequently held to be erroneous—Whether payment and acceptance regarded as satisfying claim—Whether so regarded on view of law then generally received or adopted in practice—Finance Act, 1894, Section 8 (7), (12)—Finance Act, 1951, Section 35 (1).

Section 8 (7) and (12) of the Finance Act, 1894, provides for the correction of assessments to estate duty where for any reason too little or too much duty has been paid; while Section 35 (1) of the Finance Act, 1951, enacts that the question of any adjustment

> . . . shall, in so far as it appears that the payment and its acceptance were regarded as satisfying the claim for duty, and were so regarded on a view of the law which at the time was generally received or adopted in practice, be determined on the same view of the law (subject to any express enactment to the contrary), notwithstanding that it appears from a subsequent legal decision or otherwise that that view was or may have been wrong.

In **Murray's Trustees v. C.I.R.** (Court of Session, 1959, Scots Law Times, 68) a testator died leaving a settlement by which his daughter received (1) a life-rent interest in one-third of the residue burdened, *inter alia*, by a tax-free annuity in favour of his widow, and (2) an annuity of £1,000 during the lifetime of the widow. The daughter died on July 9, 1951, and questions then arose as to the computation of estate duty on the value of item (1) insofar as in excess of the capital required to produce item (2).

In January, 1952, the trustees of the testator lodged an account with the estate duty office showing an assessment on the "slice" principle laid down in *A.-G.* v. *Glossop* (1907) 1 K.B. 163, whereby the capital sums required to meet the annuities were deducted from the free estate before the value of the share of the life-rent of the residue was ascertained. In March, 1952, the trustees paid to the Inland Revenue £17,620 (described as being a "payment to account of estate duty and interest") and in January, 1953, they made a further payment of £715 by way of adjustment. Subsequent to the major payment in March, 1952, the "slice" principle was disapproved in effect in *Re Lambton's Marriage Settlement* [1952] 1 Ch. 752, and expressly disapproved in regard to continuing annuities in *Re Longbourne's Marriage Settlement* [1952] 2 All E.R. 933, which was decided in November, 1952.

In December, 1952, an internal memorandum was circulated to chief examiners of the Inland Revenue to the effect that all cases in which the "slice" principle had been used and the duty had not been finally assessed should be reconsidered. Nevertheless, the Estate Duty Office continued negotiations with the trustees in January, 1953, on the "slice" basis. In March, 1956, the trustees asked the Estate Duty Office for a certificate of discharge under Section 11 of the Act of 1894, on the ground that the sums paid to the Inland Revenue in the name of estate duty were, as matters turned out, sufficient to meet the Revenue's claim on the "slice" basis. The Estate Duty Office then replied that the value of the life-rent interest had been erroneously calculated on the "slice" principle, and sought instead to substitute the principle of actuarial value, the effect of which would have been to increase considerably the amount of duty payable. In March, 1959, the trustees were reassessed for estate duty on item (1) on the principle of actuarial value, and they appealed to the Court of Session (High Court) against this assessment under Section 10 of the Act. The Court refused (dismissed) the appeal, holding that the payments to account could not be considered as satisfying the duty, and that in the circumstances Section 35 of the Finance Act, 1951, did not apply.

Lord Patrick said that in January, 1952, when the trustees delivered the account to the Revenue, the method adopted in that account of deducting the capital necessary to produce the annuities and other life-rent interests was the law and the practice, founded on *A.-G.* v. *Glossop*. In May, 1952, in *Re Lambton's Marriage Settlement*, the Court of Appeal decided that the decision in the case of *A.-G.* v. *Glossop* could no longer be treated as binding, since it conflicted with certain opinions and judgments of the House of Lords. Since, however, the annuity in *Glossop's* case was one which terminated on the death which caused the property to pass, it remained possible to argue that, if the annuity in question was one which continued to be exigible after that death, the "slice" system of deducting the capital necessary to produce the annuity was still the law. That matter was put to the test in *Re Longbourne's Marriage Settlement*, which decided that, where the annuity was one which continued after the death which caused the property to pass, the proper deduction was the actuarial value of the annuity. This was the position in the case of the annuity and life-rent enjoyed by the widow of the testator. The Inland Revenue's internal memorandum was issued on December 1, 1952, and in the circumstances the view of the law based on *Glossop's* case could not be described in January, 1953, either as "generally received" or as "adopted in practice at the time." If a view of the law applicable to estate duty was to be described as "adopted in practice" it could only be because the Commissioners were parties to that practice, but they had directed in December, 1952, that the practice on which the appellants relied must cease. What is therefore surprising is that in January, 1953, negotiations should still have been carried on with the trustees on the "slice" basis.

Tax Cases—Advance Notes

HOUSE OF LORDS

Grey and another v Commissioners of Inland Revenue. November 2, 1959.

Their Lordships unanimously dismissed the appellants' appeal from the decision of the Court of Appeal (see ACCOUNTANCY for October, 1958, pages 535–6), holding that the appellants were liable to *ad valorem* stamp duty upon voluntary dispositions under Section 74 of the Finance (1909–10) Act, 1910, in respect of six declarations of trust.

Oughtred v. C.I.R. November 4, 1959.

Their Lordships dismissed the appeal (see ACCOUNTANCY for October, 1958, page 535).

Whitworth Park Coal Co. Ltd. v. C.I.R. November 5, 1959.

Their Lordships dismissed the appeal (see ACCOUNTANCY for September, 1958, page 468).

The House of Lords reserved judgment on October 12 in the appeal of **Hoch-**

strasser (H.M.I.T.) *v.* Mayes (see ACCOUNTANCY for December, 1958, page 661) and on November 3 in the appeal of **Unit Construction Co. Ltd. *v.* Bullock (H.M.I.T.)** (see ACCOUNTANCY for May, page 270).

COURT OF APPEAL

The Court has reserved judgment in the case of **Philipson-Stow *v.* Commissioners of Inland Revenue** (see ACCOUNTANCY, May, 1959, page 271). The appeal relates only to the point concerning the settled South African immovable property.

CHANCERY DIVISION (Upjohn, J.)

Austin and others *v.* Commissioners of Inland Revenue. October 9, 1959.

By a settlement of July 31, 1937 (as varied), the deceased settled certain shares on trust to accumulate the income until his death and after his death to hold the capital and accumulations for such of his children as should be then living, or should have died in his lifetime leaving issue then living, the share of any so dying to be paid to his personal representatives as part of his estate. The deceased had two sons, who both survived him.

Upjohn, J., held that estate duty was payable under Section 2 (1) (*d*) of the Finance Act, 1894, upon the principal value of the fund and accumulations on the deceased's death.

By a settlement dated August 28, 1948, the proper law of which was South African, the deceased settled £10,000 on trust to accumulate the income until his death and on his death to transfer to his wife (who survived him) and sons then living shares in the trust fund (in the event £1,000 each).

Upjohn, J., held that a Section 2 (1) (*d*) claim arose in respect of these sums payable.

Subject to this, the settlement provided that during the life of the widow the trustees were to pay her one-half of the income and to pay each son one-quarter of the income; if a son should die during this period his share was to be applied for the maintenance, etc., of his descendants, failing which his share was to be held for the other son on similar trusts. If both sons and their descendants were to predecease the widow the trust fund was to be paid over to her absolutely. On the death of the deceased's widow, unless she became absolutely entitled under the foregoing trusts, the *corpus* of the fund was to be distributed to the two sons equally.

Upjohn, J., held that a claim for estate duty arose under Section 2 (1) (*d*) in respect of the sons' quarter shares of income and that a claim arose under Section 1 in respect of the half share of income given to the widow.

CHANCERY DIVISION (Wynn-Parry, J.)

Dain (H.M.I.T.) *v.* Auto Speedways Ltd. October 26, 1959.

In June, 1950, C. Ltd. granted by deed a licence to the respondent to use a stadium for speedway racing for seven years. The consideration was a lump sum and an annual fee of £2,500 payable quarterly.

The speedway racing business was not successful and the respondent wished to assign its rights and liabilities under the licence to W.M. Ltd., a company to be formed. C. Ltd. agreed to W.M. Ltd.'s using the stadium but required the respondent to retain liability to pay the annual fee. It was therefore agreed that W.M. Ltd. should pay the annual fee to the respondent, which would pay it to C. Ltd. After this agreement (in January, 1951) W.M. Ltd. made only two quarterly payments of the annual fee to the respondent and the respondent made three to C. Ltd.

In February, 1952, C. Ltd. by deed released the respondent from its obligations under the licence agreement (including payment of arrears) on payment of £4,000.

Wynn-Parry, J., reversing the decision of the General Commissioners, held that the payment of £4,000 was not deductible in computing the profits of the respondents' trade as it was a capital payment.

The Taw and Torridge Festival Society Ltd. *v.* Commissioners of Inland Revenue. October 27, 1959.

The appellant society, an admitted charity, claimed repayment of tax deducted from payments made under seven-year covenants by its members. Payment under such a covenant was one method of paying the annual subscription to the appellant society. Privileges available to members included reduced prices for admission to plays, concerts, etc.

His Lordship held that he was bound by *C.I.R.* v. *National Book League* (37 T.C. 455) to refuse repayment (thus upholding the decision of the Special Commissioners) unless the privileges were *de minimis*. As "an enthusiastic member, choosing to attend the ballets and plays over a year, can, in respect of his covenanted subscription of three guineas, obtain a rebate amounting to 15s. . . ." the learned Judge concluded that they were not *de minimis* and dismissed the appeal of the appellant society.

West Surrey Motors Ltd. *v.* Symons (H.M.I.T.). October 28, 1959.

It was agreed under seal between G. and the appellant company that G. should resign his directorship of the company and receive £1,600 as compensation for loss of office. The deed contained a covenant restraining G. from competing in business with the company. The reason for G.'s leaving was that the state of the business of the company no longer necessitated the position of director manager which G. occupied.

The company claimed to deduct the sum of £1,600 from its profits, on the grounds that it was a revenue expense wholly and exclusively incurred for the purposes of its trade. The General Commissioners refused the deduction on the ground that the company had not discharged the burden of proof on it.

Wynn-Parry, J., allowed the appeal of the company, by consent.

Imperial Chemical Industries Ltd. *v.* Cars (H.M.I.T.).

His Lordship reserved judgment in this case on October 29.

Chuwen *v.* Sabine (H.M.I.T.). October 30, 1959.

This case had been remitted to the General Commissioners by Roxburgh, J. (see ACCOUNTANCY for July/August, page 401). In a supplemental case, the General Commissioners stated that the appellant had not been overcharged to tax. His Lordship accordingly dismissed the appeal, awarding costs (which had been reserved) against the appellant.

Roberts *v.* McGregor (H.M.I.T.). October 30, 1959.

The appellant, a farmer, was assessed in respect of capital accretions of about £25,000 alleged by the Revenue to be undisclosed trading profits. Before the General Commissioners, the appellant contended that the sums in question were betting wins. The General Commissioners decided that the appellant had not discharged the burden of showing that the whole of the accretions were from betting and confirmed the assessments in respect of profits of £10,000. The learned Judge upheld their decision.

The Month in the City

All Records Broken

If October, 1959, is remembered in political circles for the third consecutive vote in favour of the Conservative Party, it will be remembered longer in the City as producing records in every direction. An exceptional volume of business both in amount and in number of transactions recorded, several days when the rise in industrial Ordinary shares was greater than that shown by any previous records—and all this accompanied by good news from industry and favourable figures of the balance of payments and of current additions to the gold and currency reserves at a time when the movement is usually adverse to Great Britain. Despite indications from public opinion polls of a swing in favour of Labour in the early days of the month, industrial Ordinary shares rose with scarcely a halt continuously until October 21, when the index compiled by the *Financial Times* touched 296.8. On election day (October 8) and the day before, it rose by 5.7 points, and on the succeeding day by over 16 points. After October 21 there was a minor reverse, but this was more than made good by the end of the month, when this index had risen by more than 16 per cent. to a new record of over 300. Meanwhile, fixed interest securities, which had continued to decline until October 6, started to improve as soon as the polls indicated a return swing to the right, but it was not until after October 13 that they started to gain on equities—at least as judged by the yield margin. On that date industrial Ordinary were yielding 0.81 points less than Old Consols, as against 0.18 at end-September. At end-October the figure was 0.73, after touching 0.64. The return of a Conservative Government and a number of favourable developments in the industrial scene is reflected in the following changes in the indices of the *Financial Times* between September 30 and October 30: rises in Government securities from 84.24 to 87.52, in fixed interest from 92.63 to 95.88, and in industrial Ordinary shares from 255.9 to 302.4, and a fall in gold shares from 88.1 to 87.3, after touching 90.9 at mid-month. The dividend yield on Ordinary shares fell from 4.75 to 4.04 and the earnings yield from 10.87 to 9.17 per cent. Such has been the number of transactions that it is doubtful whether the November settlement can be completed to time.

Revival in Gilt-Edged Stocks

The improvement in equities owed something to a further burst of unit trust sales, mentioned below, and to favourable figures from official and F.B.I. sources suggesting, *inter alia*, a much more encouraging outlook by industry, even before the election result was known, and a record level of both spending and saving by the bulk of the people. The advance in equity prices, and the fall in yields, had by the middle of the month produced a material demand for the Funds from institutions, now ready buyers, since virtually nothing had been raised by government bodies at long term for six months after the débâcle over the *London County Council* issue. Shortly after this the rally had gone so far that the *Middlesex County Council* was encouraged to offer £10 million of 5½ per cent. stock 1980 at 97½. The rise of a ¼ point in the coupon rate on six months before made this look attractive, and with the continuing rise in prices it became a very good chance to get into trustee stocks on favourable terms. In the event, the issue seems to have been covered between 15 and 20 times. Business opened at the end of the month at a premium of some 1½ points. No doubt the price was pitched low to create a good psychological atmosphere for further offers, but the change over six months is a good augury for the ability of the authorities to restrict their short-term borrowing more than seemed probable a few weeks ago.

Unit Trust and Other Issues

Outside the gilt-edged section the largest offer announced during the month was one of rights by *Stewarts & Lloyds* of seven Ordinary shares for every twenty held at 40s. to raise £14 million. *Rootes* are also to raise £3½ million by an offer of debentures; *Debenhams* are making a one for ten offer at 20s. to raise over £2½ million; and the issue of 750,000 Ordinary in *Schroders* was covered more than 15 times. The feature has, however, been the number and size of block issues by unit trusts. At the beginning of the month the *Amalgamated Securities* offer was covered seven times. *Philip Hill, Higginson, Erlangers* have offered five million units in *British Shareholders International Trust*. *First Provincial Reserves* and the *Unicorn Trust* has each offered a million units, and *Metals and Minerals Trust* are to make an offer. The formation of a Unit Trust Association is dealt with in a Professional Note. An issue, important for its character rather than its size, was the offer of 150,000 4s. shares in *Minet Holdings* at 6s. 3d. This concern has just been formed to take over the capital of one of the larger firms of Lloyd's insurance brokers and has a total capital of one million shares. The expected dividend of 10 per cent. absorbs only 8 per cent. of the average annual profits of the past five years.

Freeing Sterling

September ended with a sharp rally in sterling to just under 2.80½, with the three months' discount on New York at ¼ to ⅜. Last month closed with the current quotation rather over 2.80½ and the discount ⅛ point higher on the month. Meanwhile, the pound had gained somewhat against the Swiss franc but lost a little against the West German mark, partly, no doubt, as a result of the raising of Bank Rate in that country. In the United States the month produced a number of measures designed to improve the value of the dollar, concerning which some slight anxiety appears to be justified. In this country the opposite picture has been somewhat prominently displayed. Not only are import controls to be relaxed, but the debt of $250 million to the Exim-Bank has been repaid up to five years in advance of the due date and all limits on tourist allowances to all countries have been abolished—the requirement of official consent for amounts in excess of £250 per annum is designed to prevent the export of capital rather than to control actual current expenditure abroad. Similar steps have been taken with regard to business allowances. These decisions reflect the British reaction to the opinion that the time has come for the countries of Western Europe, including ourselves, both to take a larger share in the finance of the less developed areas and to encourage greater freedom of trade and exchange, a development fully justified by the strength of our oversea balance.

Points From Published Accounts

"Special" Interim Dividends

The change in the basis of profits tax which was introduced in the 1958 Budget caused many companies to pay "special" interim dividends, chargeable against the profits of the following year's accounts. By so doing they effectively increased the dividend for 1957/58 without incurring a liability to pay the old rate of profits tax on distributed profits. At the same time, of course, they incurred a potential complication in accounting for the year 1958/59 because the profits of that year would be called upon to bear the cost of these "special" interims, despite the fact that they were properly a part of the 1957/58 distribution.

It is interesting to see how various companies have tackled this problem so that there is an equitable division of the dividend costs. *Patons and Baldwins*, which declared a special interim of 7½ per cent. for the year commencing May 4, 1958, and paid it on August 20, 1958, has adopted a straightforward approach by simply deducting the cost of this payment from the balance carried forward, reducing this from £748,244 to £520,599. *Salts (Saltaire)*—another woollen company—on the other hand, has simply lumped in the cost of its special interim of 4 per cent. with the cost of the remaining dividends. If it were, in fact, a special interim on the lines discussed above, this would not be a satisfactory method of accounting for it. However, since it was paid together with the final dividend for the preceding year, this is not actually the case, and one is left wondering why it is termed a "special" interim. There seems to be a needless source of possible confusion here.

Investment Allowance on Progress Payment

The accounts of *Stevinson, Hardy* have appeared in a new format this year. Comparative figures are set in red, and the schedules to the balance sheets are laid out on the facing page. Unfortunately, parent and group accounts have been superimposed on one page, which means that there are four columns of figures adjacent to one another in the balance sheet. It would be far better to keep the two sets of accounts separate. A similar layout has been adopted for the profit and loss account. The interesting accounting feature here is the treatment of the investment allowance on the progress payment made in respect of a steam turbine tank vessel which the company has under construction. In the normal course of events it would be an allowable deduction from profits, but the directors have taken the view that, because of the size of the relief—£64,000—it would cause distortion in subsequent profit comparisons if the tax charge were reduced by this amount. The full tax payable has thus been charged in the account, and the relief credited directly to undistributed profits.

Full Consolidation—and a Re-equipment Reserve

For the first time *Renold Chains* has produced a full consolidation of its accounts. Hitherto, only a "consolidated statement of the interests of Renold Chains Limited in its subsidiaries" has been presented, which gave shareholders a picture only of the assets attributable to the shareholding interests of Renold Chains. Now they can see the complete picture. The reason for the change is given in the following statement in the directors' report: "It is now felt that, as the number and importance of the subsidiaries of the group increase and as the restrictions on transfers of currencies between subsidiaries abroad and the company become easier in practice, the presentation could, with advantage, be changed."

The decision to present a full consolidation is a commendable one, because hitherto shareholders have had a picture of only part of the assets at work in the whole group—that part actually attributable to their company's shareholdings in the subsidiaries. Apart from this fundamental change, the accounts have retained their very high standard of presentation, being printed on art paper, with a coloured section appended, showing illustrations of various sections of the works in operation and some of the industrial and commercial applications to which the group's products are put.

A year ago it was stated that the directors had under review the subject of the re-equipment reserve which had been set up. No further transfers were to be made to this reserve while the examination was in progress, and the chairman now discloses that the initial examination of the position has shown that the amount of the re-equipment reserve, together with the general reserves, is more than adequate to provide for the enhancement of depreciation arising from inflation. What future policy is to be on this score, however, remains in abeyance until present investigations are concluded. The logical course would seem to be to adjust the depreciation provision to the present-day value of the assets, so obviating any future need to supplement the provision with a transfer to replacement reserve.

Consolidation Without the Parent

Griffiths Hughes Proprietaries is a concern with an unusual set-up, which manifests itself in the fact that the parent company, which is purely a holding company, is not included in the consolidated accounts. The consideration is really important only so far as it concerns the profit and loss account, where, for example, directors' emoluments are charged in the parent account only (less the amount paid by subsidiaries). Other expenses of the parent, too, are not reflected in the subsidiaries' consolidation. However, the sums involved are marginal only, and to all intents and purposes the consolidation of the subsidiaries can be regarded as a full consolidation. Nevertheless, it is interesting to see the principle applied that the parent is a business in its own right, functioning as the holding company for the operating subsidiaries, and being in possession of its own income—namely, dividends received from E. Griffiths Hughes. The parent's own dividends are thus charged directly against this income, not against the income of the group as a whole, which, of course, is far greater.

Owing to an error on the part of the blockmakers, for which ACCOUNTANCY was in no way responsible, the Provincial Building Society's assets were inadvertently quoted as £8,000,000 in our last issue. This Society is one of the largest in the country and the figure in the advertisement should have been £80,000,000. The assets currently exceed £83,000,000.

Publications

Advanced Accounting Problems: Theory and Practice. With **Workbook.** By Irving J. Chaykin and Max Zimering. Pp. ix+562. (*John Wiley & Sons, Inc., New York, and Chapman & Hall, London:* £4 4s. net.)

THIS EXCELLENT WORK by Professors Chaykin and Zimering, both of the Bernard Baruch School of Business and Public Administration of the City College of New York, fills a well-known gap in university and technical college students' libraries. As both authors are partners in public accounting practices, the reader is assured of a practical approach to the subject.

Of particular interest to the teacher are chapters 7 and 8 on the analysis of financial statements.

There is an excellent index, and the volume is clearly printed and well set out.

Apart from the useful illustrations in the main work, the book is accompanied by a *Workbook of Advanced Accounting Problems* so that the student can indulge in practice. G.W.M.

How to Pay Less Income Tax. By H. Toch. Illustrated by Haro. Pp. 164. (*Museum Press Ltd.:* 18s. net.)

IN A SOCIETY in which "do-it-yourself" plays an ever-increasing part, it is not surprising that the application of this technique to one's personal income tax affairs should generate an expanding volume of literature. Mr. Toch, as a former Inspector of Taxes and a lecturer at the City of London College, seems well qualified to make a contribution in this field. Indeed, his preface indicates that his experience in the Inland Revenue Department of people paying more tax than they need inspired the writing of this book.

Mr. Toch sets out to describe, in some detail, all the relieving provisions of our tax legislation of which the ordinary man may avail himself, as well as many of the anomalies which the exercise of prudence may cause to work to the taxpayer's advantage rather than to his detriment.

As an introduction to the theory and practice of income tax, however, Mr. Toch's book should be accepted with some reserve. In a work of some 160 pages the subject is dealt with, in places, in surprising depth, and one unfortunate result may be that the reader is left with an imperfect understanding of first principles. The Budget proposals of 1959 appear to have been incorporated in the book as a last-minute amendment before publication, and this may perhaps excuse the mis-statement that the investment allowance is now available in respect of cars used for business purposes. But it cannot explain the assertion that a purchased annuity is subjected to income tax on the entire annual sum, capital element included—a state of affairs that has been rectified since 1956.

Notwithstanding these reservations, considerable merit attaches to Mr. Toch's book, viewed in the light of its declared objective—the saving of income tax. At least it should enable the uninstructed taxpayer to recognise the various circumstances in which his burden is capable of mitigation. L.H.C.

Advanced Accounting. By R. Keith Yorston, B.COM., F.C.A.(AUST.), E. Bryan Smyth, F.S.A.A., A.C.I.S., and S. R. Brown, LL.B., F.C.A.(AUST.). Fourth edition. Vol. II: pp. vii+608. (*The Law Book Company of Australasia Pty. Ltd.:* 60s. net.)

THIS AUTHORITATIVE WORK, previously published in three volumes, has been reduced to two, of which the first appeared in 1957. Most of the changes and improvements are found in Volume 2, now published.

Volume 1 deals more than adequately with the orthodox components of an advanced accounting syllabus—partnership and company accounts, insolvency and executorship. The treatment of consolidated accounts is particularly good. Chapter 4, on published accounts of companies, shows as well as any that the authors' claim to have written a "treatise on the principles and practice of accounting in Australia and New Zealand" is well founded. The principles are based on the (differing) Companies Acts of the various States and on the recommendations of the English and Australian Institutes. The practice is illustrated by lavish use of facsimile reproductions of published accounts.

Facsimile reproductions are used also in Volume 2—notably in the chapters on mechanised accounting and analysis and interpretation of financial statements—and enable principles to be illustrated in a most practical way. These chapters will be of particular interest to readers in this country, for they are the least affected by differing requirements of the legislatures.

The section on mechanised accounting has been greatly improved by the inclusion of material on computers and electronic data processing, with interesting and practical examples. That on punched card methods has also been rewritten—or, it would appear, obtained from a different source. It is, of course, impossible to compress this subject into a single chapter, with adequate illustrations, without ignoring some of the competing claims of rival exponents.

Condensation into two volumes has been made possible only by omitting seven chapters on statistics. The only loss that is to be regretted is that of the old chapter on graphic presentation of data, but some illustrations of this are retained in Chapter 9. Statistics is a subject in its own right and should not be treated as a branch of accountancy; the same might well be said of executorship.

Each chapter concludes with representative questions, which are doubtless of considerable interest to students in Australasia. It seems a pity, therefore, that their sources, which were previously acknowledged individually, have now been omitted. Solutions to the exercises in Volume 1 have already been published, and answers to those in Volume 2 will follow. L.J.N.

Trust Accounts. By Peter M. B. Rowland, M.A., LL.B., Barrister-at-Law. Second edition. Pp. xxiii+356. (*Butterworth:* £2 net.)

THE AUTHOR INTRODUCED his method of trust accounting in 1954, using as a basis Chandler's method, which had been in use for many years. A departure is made from normal accounting practice in that no double entry is used. A cash account is kept, divided between personalty and realty, and a schedule of assets, which is merely marked off as an asset is realised or passed to a beneficiary or ceases to have any value. Accounts are kept of any statutory or equitable apportionments of income that are necessary. Probate values do not enter into the accounts at all—in direct contrast to their importance as the foundation of the double-entry system.

In the preface to the new edition the author again states his belief in the superiority of his method over the double-entry system. As he was a chartered accountant before becoming a barrister, he is speaking from an authoritative viewpoint. Although the solicitor with only a slight knowledge of double-entry accounting is likely to prefer Mr. Rowland's method, probably

most accountants will continue to use the double-entry system with its close analogy to commercial accounting.

The most striking change in this edition is an ingenious form of binding, consisting in effect of two separate books joined together. This enables the text in the first book to be read in conjunction with the relevant illustration in the second book. The main internal change is an appendix setting out the full intestacy rules. All examples have been brought up to date and new case law included. As in the first edition, the text is well written and easily understood.

The last appendix is an illustration of the double-entry system, prepared by a chartered accountant. Although this is simple and clear, it is unfortunate that it uses the meaningless symbols "to" and "by," particularly as Mr. Rowland himself states in the book that their meaning is not clear. D.R.

Legal Aspects of Foreign Investment. Edited by Wolfgang G. Friedmann, assisted by Richard C. Pugh. Pp. xiii+ 812. (*Little, Brown and Company, Boston and Toronto: $20 net. In the United Kingdom, Stevens & Sons: £7 7s. net.*)

"THIS VOLUME IS not an encyclopaedia," says its editor in the preface. Maybe not, but it is certainly encyclopaedic. It arrays the conditions and laws affecting investment in forty countries. Each country (chosen for its actual or potential importance as a capital importer) has a chapter of its own, usually written by a national or resident. The typical chapter surveys the types of business organisations in which investments can be made from abroad; governmental requirements; restrictions on investment or management; the protection of minorities or other investors; exchange regulations; and the relevant tax laws. Some chapters have additional sections —for example, the Cuban labour legislation in its effect on foreign investment; the incentives to foreign investment obtaining in India and Italy; import restrictions in Australia.

With such a wealth of factual information on forty countries in front of us, we should not cavil, but some other countries deserve to be added to the forty—Ghana, for example, and the Rhodesias and Uruguay.

No doubt the book will now generally be used by those searching for material on the conditions governing investment in a particular country. It would be an understatement to say that the text provides a preliminary assembly of this material: it does so to the great advantage of those requiring that service, but for many other users the information set out will be complete in itself and sufficiently detailed. For those needing to inquire further, the list of references to prime sources subpended to most chapters will be invaluable. Another useful feature is the issue of supplements from time to time noting the major changes.

Apart from the country chapters, there is one on the legal security for international investment and another by the editor and assistant editor making a comparative analysis. These chapters will be of particular appeal to those who have a continuing professional interest in oversea investment. A main conclusion of the first of these general chapters is that codes and agreements for the protection of foreign investments are largely impracticable on a multilateral basis, so must be concluded bilaterally. Again, any treaty has the drawback that its generality of language detracts from the security given to the foreign investor, while a guarantee by way of an investment law passed by the capital-importing country offers far less scope for differences in interpretation but carries the disadvantage that its binding force is limited, even in international law. On this point the editors conclude in their chapter: "Legal arrangements will provide some ancillary protection. The foreign investor's main safety, however, must reside in the correctness of his estimates as to the economic and social stability of the country of investment, and in the establishment of a moral as well as an economic position in the foreign country, which will make drastic interference with his interests unlikely."

A unique and highly important book. E.N.

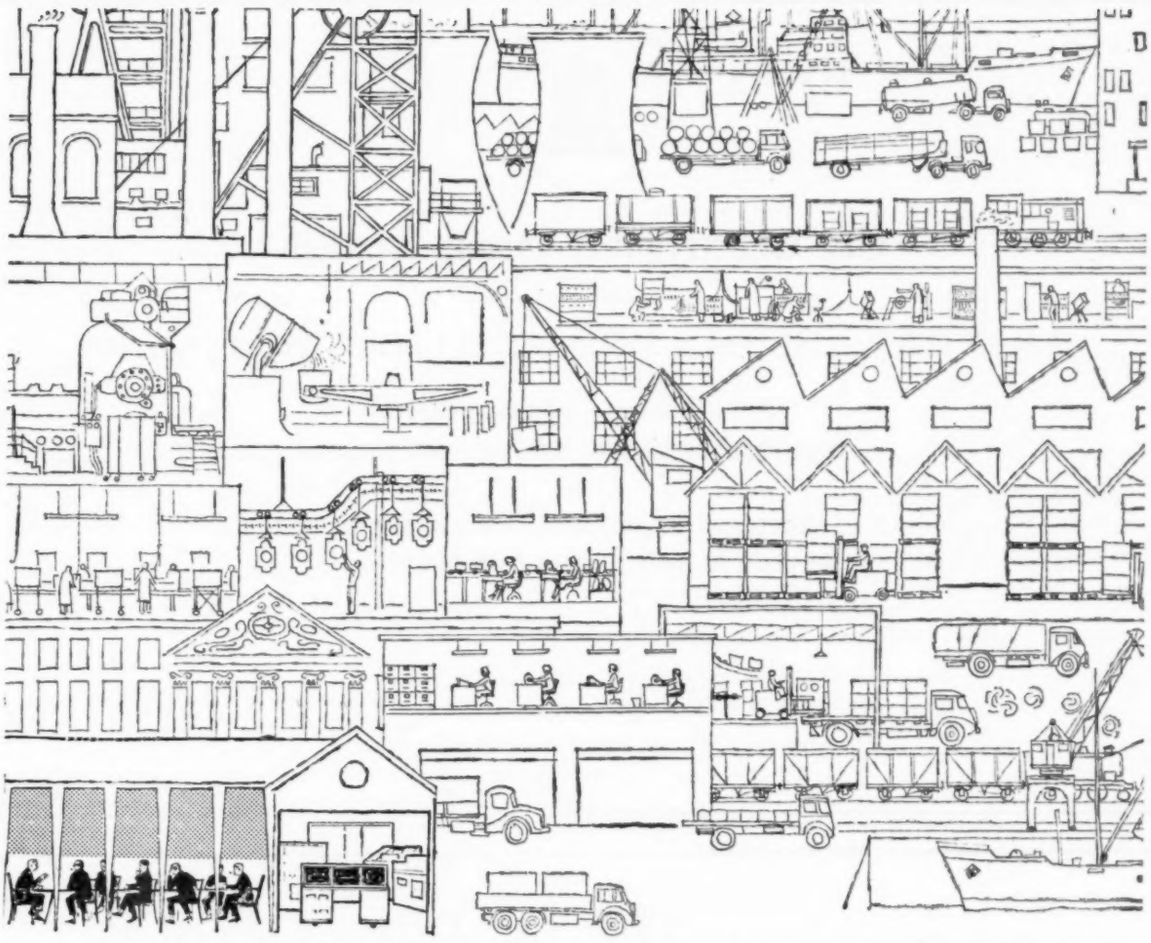
Bread and Circuses, 1945-1958. By George Schwartz. Pp. 220. (*The Sunday Times:* 12s. 6d. net.)

THIS BOOK CONSISTS of some eighty articles selected from around 700 written over the years named for the *Sunday Times*—articles which have made the author's name a household word, even in some areas outside this country. The selection was not made by the author. The articles are grouped under thirteen heads, and it is evident that the first object of those making the selection was to provide possible readers with elements of education and instruction as well as with amusement. It results that the element of satire, which is for some the most attractive and stimulating in Mr. Schwartz's writing, is not fully represented, although it is of course present. Mr. Schwartz is a champion debunker, and it has to be admitted that he directs a good deal of his time to the destruction of a number of modern ideas to the benefit of others which have stood the test of time. But, however biting his comments, there is no sourness about them: indeed, the sourness and lack of magnanimity of much current criticism is what he most loves to attack. Of course he will be subjected to severe strictures by those who find in the newest ideas the ideal guide for present action; but they should reflect that much of what he attacks is as old as the hills, and if he takes pleasure in pointing out that some of the "newest" ideas come into this category, who is to blame him?

As the author is an economist, it is fitting that one of the early articles should embody a forceful apologia for the economic approach, including a defence of the accountant, as follows: "To quarrel with accounting is to quarrel with economic calculation, and that is to quarrel with Providence itself for not having supplied everything in such abundance that it can be had for the asking. In a world conditioned by scarcity, accounting is the tool of rational choice and action."

The need for choice between various alternatives is a basic fact of life, and if economics can properly be described as gloomy it is because it compels one to face this incontrovertible fact. But these articles carry one far beyond this. Among other matters, one is invited to look into the effect of restrictive practices by both management and labour, including restriction on the activities of amateurs; into the relative efficiency of "planning" and free enterprise; into the efficacy of control over the nationalised industries; and into the misunderstanding on the subject of equal pay. There is also something on the original concepts of socialism and the gradual decay of belief in the efficacy of the measures taken in this country to implement it, while a late section is devoted to the fallacies and errors which have led us into inflation. For the earnest inquirer into the elements of the economic approach free from economic jargon, it would be hard to find a better introduction than many of these articles: and those who have assimilated these lessons, from this source or elsewhere, might well run through the book again for the lessons in humour and good temper in which it abounds. F.W.F.

See Books Received on page 621.



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Letters to the Editor

Treating the Profession as a Whole

Sir,—I am delighted to read in your report on the recent special meeting of the Institute (ACCOUNTANCY, July/August, page 427) that our President said the following:

> "... the Council has taken a strong stand from the point of view of treating the profession as a whole. We have fought, and we shall continue to fight in every possible way, against sectionalising the profession."

I now look forward to receiving notice of a special meeting at which the Council will propose the abolition of second-class citizenship, i.e. that those of us who found ourselves, as a result of integration, members of the Institute whilst retaining the description "Incorporated Accountant" should henceforth become Chartered Accountants.

Yours faithfully,

WILLIAM R. GRIGSBY, A.S.A.A.

Luanda, Angola, P.W.A.

Accounting for Containers

Sir,—In the Student's Columns of the October issue of ACCOUNTANCY (pages 560–1), the book-keeping for returnable packages is demonstrated by means of an example.

The writer of the article shows, in the Boxes Stock Account, the profit made on the boxes. I suggest, with respect, that asset accounts are not the proper accounts in or through which profits on disposals or rentals should be shown. The illustration I give deals with the same facts and figures as in the article, but in such a manner as to show profits through a subsidiary profit and loss account.

A similar technique can also be employed to deal with disposals of other assets (e.g. plant) by the introduction of a disposal account, showing the detail and outcome of the disposal more clearly than when the entries are made through the asset account.

Yours faithfully,

V. RONALD ANDERSON, A.C.A.

Conway

[The author of the article writes: There is no real principle involved in using asset accounts for recording profits on disposals. In fact, one very often sees this in practice, and providing the balances brought down are correct, the profits on disposals must, in total, be right. A very good example occurs in trust accounts where transactions in investments are concerned. Of course, if more detail is required, a separate profit and loss account (called "Differentials" by Mr. Anderson) could be used; there is no theoretical argument against this, just as, where few transactions are involved, the "asset account" method is quite practical and satisfactory.]

BOXES STOCK ACCOUNT (all at 2s.)

	Boxes	£		*Boxes*	£
Jan. 1. Balance b/d ..	9,000	900	Dec. 31. Boxes P. & L. A/c	800	80
Dec. 31. Purchases ..	8,000	800	Dec. 31. Customer's Suspense A/c ..	1,000	100
			Stock c/d ..	15,200	1,520
	17,000	1,700		17,000	1,700
Stock b/d ..	15,200	1,520			

BOXES WITH CUSTOMERS SUSPENSE ACCOUNT (all at 9s.)

	Boxes	£		*Boxes*	£
Dec. 31. Customers (Returns) ..	25,000	11,250	Jan. 1. Balance c/d ..	7,000	3,150
Stock P. & L. A/c ..	1,000	450	Dec. 31. Customers ..	30,000	13,500
Balance c/d ..	11,000	4,950			
	37,000	16,650		37,000	16,650

BOXES PROFIT AND LOSS ACCOUNT (Differentials)

	£		£
Purchases (1s. per box written off purchase price)	400	Customers' accounts 1s. per box rental	1,500
Stock Account (boxes scrapped)	80	Cash sale of scrap	10
General Profit and Loss Account	1,380	Customers' suspense account ..	350
	1,860		1,860

Double Taxation Relief and the Individual Investor

Sir,—Having read with interest the article by Mr. E. W. McDowell entitled "Double Taxation Relief and the Individual Investor" (ACCOUNTANCY, July/August, pages 384–9), we wish to raise a query in connection with Illustration (4), which dealt with the new ruling applicable to Section 201 relief when combined with a claim for tax credit relief.

The author has regrossed his dividend at 9s. 4d., which is the "limit of total credit" rate, despite the fact that the company rate of 9s. 2d. is lower. Is it correct to assume, therefore, that company rates are now to be disregarded altogether and that the selection of grossing rate is to be made only between the effective rate and the "limit of total credit" rate, whichever is the lower? We should have thought that the "limit of total credit" rate was a limit to be adhered to when both company rate and effective rate were in excess of such limit. As we have recently encountered such a case in practice, we should be pleased if the author could let us have his comments on the two computations set out below. It will be observed that the second method (which corresponds with his illustration) is more beneficial, and yields more than three times the net repayment (after adjusting surtax) than the first method, which gives Section 201 relief in full.

In view of the low company rate, can the author let us have his reassurance that the second and more beneficial method is in accordance with the new Revenue ruling?

Apart from the amount of the dividend, which for clarity has been taken as in the author's illustration, the rates, etc., shown are as applicable to our client.

	s.	*d.*
Company rate for 1958/59 .. (and one-eighth under Section 201)	7	6
Taxpayer's effective rate	15	7
Taxpayer's average surtax rate .. (liable rate 10s.)	7	0
Limit of total credit rate:		
Standard rate of income tax ..	8	6
Less Section 201 relief (½ of 8s. 6d.)	1	1
	7	5
Average rate of surtax	7	0
	14	5

METHOD 1

(using company rate which is lower)

	£	s.	d.
Net dividend received in U.K.	100	0	0
To gross at 7s. 6d.	60	0	0
Revised U.K. gross	160	0	0
Tax at 8s. 6d.	68	0	0
Tax credit	60	0	0
Tax payable	8	0	0
Tax paid (on £117 13s. at 5s. 6d.)	32	7	0
Repayment	24	7	0
Section 201 relief (⅛ of £160 at 8s. 6d.)	8	10	0
	32	17	0
Additions for surtax:			
£160 less £117 13s. = £42 7s. at 10s. 0d.	21	0	0
Total net repayment	11	17	0

METHOD 2

(using "limit of total credit" rate)

	£	s.	d.
Net dividend received in U.K.	100	0	0
To gross at 14s. 5d.	258	4	2
Revised U.K. gross	358	4	2
Tax at 8s. 6d.	152	5	2
Less Section 201 relief (one-eighth) ..	19	0	8
	133	4	6
Less Tax credit	258	4	2
Tax payable .. (*minus*)	124	19	8
Tax paid (on £117 13s. at 5s. 6d.)	32	7	0
Repayment	157	6	8
Additions for surtax:			
£358 4s. 2d. less £117 10s. = £240 14s. 2d. at 10s. 0d.	120	10	0
Total net repayment	36	16	8

Yours faithfully,

A. J. HOOPER

Oxford.

[Mr. McDowell writes: It will be appreciated that the new method of computing relief, where both tax credit and Section 201 reliefs are applicable, is of recent origin, and so practical experience of its operation is limited. In the circumstances of the querist's case, the results of the two methods are certainly very different, largely because of the very high effective rate. I regret that I am unable to give the categorical reassurance sought, but I am of opinion that the second method is correct. This opinion is based on the fact that the old method of computation (using the lower of the company's rate or the individual's effective rate) is regarded as incorrect, as the income has not all been doubly taxed for income tax purposes, and hence it is considered that the "limit of total credit" rate replaces the foreign company's rate *in cases where both tax credit and Section 201 reliefs apply*. This view appears to be borne out by such published references to the new method as I have seen. However, the point is obviously a very important one, and it is suggested that the second method be submitted to the Revenue with a request for a ruling.]

Readers' Points and Queries

Subvention Payments

Reader's Query.—A company with which I am associated acquired 95 per cent. of the shares of another company some time before December 31, 1956. The subsidiary company had a tax loss in the financial year ended December 31, 1957, of some £4,500. In the early part of November, 1958, the control of both companies passed to a third company, but the £4,500 referred to was paid by the original parent company to the subsidiary on December 30, 1958.

The Inspector of Taxes dealing with the affairs of the subsidiary company raises the point that the payment of £4,500 was made *after* control had passed from the then parent company. The Section relating to subvention payments requires that companies must be in the relationship of parent and subsidiary *continuously* from the beginning of the accounting period of the payee company to the date when payment is made.

It is not clear from the wording of the Section whether, in the particular case submitted, the latest date for payment is April 5, 1959, that is, within the year of assessment following that in which the said period ends.

Finally, is it within the Inspector's power, if his contention is correct, to disallow the payment of £4,500 in full, simply because the relationship of parent and subsidiary was not continued until the date upon which the payment was eventually made?

Reply.—Section 20, Finance Act, 1953, requires that a company making a subvention payment to another shall be treated as the other's associated company if, but only if, at all times between the beginning of the payee company's accounting period in respect of which the payment is made and the making of the payment one of them is the subsidiary of the other or both are subsidiaries of a third company. It is a matter of the legal interpretation of the words of sub-Section 10 whether they mean that either at all times one must be a subsidiary of the other, or at all times both must be subsidiaries of a third company, or whether in the alternative they can be at all times one or the other, that is, they can change the associateship in the meantime. The reader is advised to seek skilled legal opinion on this matter of interpretation.

Whilst it does not affect the case in point, it should be noted that the extension of time for payment to include the second year of assessment following that in which the accounting period of the payee company ends, provided for by Finance Act, 1958, Schedule 6, paragraph 2 (d), does not appear to apply where the period ends in 1957/58.

Capital Allowances on Assets Financed by Borrowing

Reader's Query.—Our client proposes purchasing some plant and machinery amounting to approximately £5,000. Instead of buying the asset on hire purchase, he has obtained a loan from a finance house repayable over two years under terms of a credit sale.

We are assured that the property has passed to our client and, while the loan was made for the specific intention of purchasing the asset, the finance house has no right of recovery. The client is of course entitled to claim annual allowances and we are of the opinion that full initial allowances may be claimed in the year of purchase. Can you confirm our opinion?

Reply.—How the finance was obtained for purchasing the asset is of no relevance at all to the capital allowances. Since the asset was purchased, capital allowances must be made in the ordinary way.

Private Use of Car by Employee

Reader's Query.—A client of ours employs a traveller to whom he supplies a car. The traveller is allowed a fixed weekly sum for petrol and oil; our client pays all other running expenses.

The Inspector has raised the point of the private use of this vehicle by the traveller, and we have agreed on the amount of such use. The Inspector, however, wishes to assess this private usage on our client, while we are of the opinion that it should be assessed on the employee. The Inspector has quoted to us the *Chambers* case (36 T.C. 711).

Reply.—We do not see how the Chambers *case affects the point at issue at all. In that case it was the owner of the business who was using the car for private purposes. It seems that the whole cost of running the car is laid out wholly and exclusively for the purposes of the trade in that, if part of it is enjoyed by an employee, that is a perquisite of his office. It might be argued that the employee could not be assessed unless his emoluments are over £2,000. It does, however, appear to be a perquisite of his office in money's worth.*

Books Received

What Every Taxpayer Should Know About Income Tax. By David Shrand, M.COM., A.S.A.A., C.A.(S.A.). Third edition. With 1959 Supplement. Pp. 81. (*Legal and Financial Publishing Company, Cape Town:* 11s. net.)

Some Limitations of the Capital-Output Ratio. By W. B. Reddaway. Pp. 5. (*University of Cambridge Department of Applied Economics:* Reprint for private circulation.)

The Measurement of Industrial Growth. By W. A. Cole. Pp. 7. (*University of Cambridge Department of Applied Economics:* Reprint for private circulation.)

Trustee Savings Banks Year Book—1959. Pp. 173. (*Wyman & Sons Ltd.:* No price stated.)

Fourteenth Annual Return of Rates and Rates Levied per Head of Population (England and Wales), 1959/60. Pp. 111. (*Institute of Municipal Treasurers and Accountants:* 10s. 6d. post free.)

British Transport in 1958. Pp. 30. (*British Transport:* 2s. net.)

Watford's Finances for the year ended March 31, 1959. Pp. 44. (*Borough Treasurer, Watford.*)

Legal Notes

Company Law—

Rights of Execution Creditor against Liquidator

An article based on **In re Walkden Sheet Metal Co. Ltd.** [1959] 3 W.L.R. 616 appears in this issue of ACCOUNTANCY (pages 588–90).

Contract and Tort—

Assessment of Damages for Personal Injuries

Damages for personal injuries are normally assessed by a Judge sitting alone and, as Judges have often pointed out, this is an extremely difficult task. Inevitably there would be differences of opinion between individual Judges on the proper sum to be awarded in any particular case, but the degree of divergence is reduced by the fact that reports of decisions are published and are of some assistance to other Judges. Thus a certain level or pattern of awards tends to emerge. Further, although the Court of Appeal will not interfere with the award of a Judge merely because it would itself have awarded a different sum, it will interfere if satisfied that the Judge has acted on a wrong principle of law or has misapprehended the facts or has, for those or other reasons, made a wholly erroneous estimate of the damage suffered.

The alternative procedure is for the damages to be assessed by a jury, and the question that arose in **Scott *v.* Musial** [1959] 3 W.L.R. 437 was whether the Court of Appeal should interfere with an award by a jury of £18,000 general damages. The Court said that, provided that a trial had been properly conducted and the jury properly directed, it was not for the members of the Court to seek to substitute their own assessment for that of the jury: they would interfere only if the figure assessed by the jury was out of all proportion to the circumstances of the case. The views of juries might form a valuable corrective to the views of Judges, and in the circumstances of the case there was no ground for interference with the jury's verdict.

It is suggested that this case provides a suitable opportunity for the appropriate authorities to consider again whether any better procedure can be devised for the assessment of damages for personal injuries in serious cases; possibly it could be done by three judges, or by a judge sitting with assessors.

Executorship Law and Trusts—

Variation of Trusts

In **In re Cohen's Will Trusts** [1959] 1 W.L.R. 865, the Court was asked to approve an arrangement to vary the trusts of a will and settlement. Submissions were made on behalf of certain infants that, although the scheme was on balance for their benefit, yet, in the unlikely event of one of the testator's children predeceasing his widow the scheme would be to their disadvantage, and counsel asked that some provision should be made to guard against this contingency. Danckwerts, J., said he did not see why such provision should be made; if people asked the Court to sanction this sort of scheme they must be prepared to take some sort of risk, and if it was a risk that an adult would be prepared to take the Court would be prepared to take it on behalf of an infant.

Miscellaneous—

Registered Trade Marks

In **Electrix Ltd. *v.* Electrolux Ltd.** [1959] 3 W.L.R. 503 the House of Lords approved the principle that if a given word is for any reason unregistrable as a trade mark in its proper spelling, then, inasmuch as trade marks appeal to the ear as well as to the eye, the objection (whatever it may be) to the registration of the properly spelt word applies equally to a word which is merely its phonetic equivalent. In the present case it refused to allow the registration of the word "Electrix" on the ground that it sounded the same as "Electrics," which was inherently unregistrable. (See ACCOUNTANCY for October, page 512.)

An Accountant's Guide to Recent Law

STATUTORY INSTRUMENTS

No. 1611 (S. 92). Housing (Forms) (Scotland) Amendment Regulations. Prescribing amended forms of notices required for payment of grants under Act of 1959.

No. 1610. Town and Country Planning (Grants) Regulations. Providing method of calculation and payment of Exchequer grants to local authorities for land acquired for war damage redevelopment.

No. 1628. Independent Undertakings (Railway Passenger Charges Scheme Application) Order. Authorising all independent statutory railway undertakings carrying passengers to levy charges prescribed by the British Transport Commission.

No. 1714. Exchange Control (Authorised Dealers) (Amendment) Order. Amending list of banks, etc., authorised to deal in gold and foreign currency.

No. 1715. Exchange Control (Authorised Depositaries) (Amendment) Order. Amending list of depositaries with whom certain securities are required to be deposited.

No. 1732. Lands Tribunal (Amendment) Rules. Prescribing new rules for issue of certificates under Rights of Light Act, 1959, selection of test cases and extension of time allowed for submission of certain documents.

No. 1733. Registers of Local Land Charges (Rights of Light, etc.) Rules. Regulating registration of notices under Rights of Light Act, 1959, and amending rules as to registration of local land charges.

DECISIONS OF THE COURTS

Charity

Court of Equity had no jurisdiction to direct a scheme where testator gave share of residuary estate to hospital which did not exist by will which contained no trusts. Gift to be applied in accordance with direction of Queen under the royal prerogative.

In re Bennett deceased (3 W.L.R. 427).

Company

Claim by liquidator to money in hands of sheriff, which had been paid to bailiff to avoid a sale, held to fail under Section 326 (2) of Act of 1948.

In re Walkden Sheet Metal Co. Ltd. (3 W.L.R. 616). See pages 588–90 of this issue.

Damages

Appellate Court will not interfere with award of jury unless satisfied that it is out of all proportion to the circumstances of the case.

Scott v. *Musial* (3 W.L.R. 437).

Factory

Defendants owed no duty to employee plaintiff who injured hand on saw not securely fenced while voluntarily helping another employee with private work after hours of duty.

Napieralski v. *Curtis* (*Contractors*) *Ltd.* (1 W.L.R. 835).

Landlord and Tenant

Under Act of 1954 it is not for court to investigate tenant's purpose in occupying property, but to see whether the occupation is genuine or not.

Narcissi v. *Wolfe* (3 W.L.R. 431).

Landlord's application granted for discovery and inspection of tenant's balance sheet and profit and loss accounts during period of tenancy, as tenant's financial position was relevant on question whether or not new lease should be granted.

In re St. Martin's Theatre (1 W.L.R. 872).

No general duty apart from contract on a landlord to guard against reasonably foreseeable dangers arising from defect of demised premises of which he has notice; and nothing in this contract implied a term that the landlord must keep the premises fit for habitation.

Sleafer v. *Lambeth Borough Council* (3 W.L.R. 485).

Local Government

Local authority held liable for repair of drains running adjacent to and through plaintiff's land; immunity of highway authorities in respect of non-repair of highway did not extend to non-repair of drains by rural district council in present case.

Attorney-General v. *St. Ives R.D.C.* (3 W.L.R. 575).

Privilege

On taxation of bill of costs, the party who had been ordered to pay costs was not entitled to see contents of brief delivered on behalf of another party.

Hobbs v. *Hobbs and Cousens* (T.N. Oct. 22).

Restrictive Practices

Agreed order made declaring certain restrictions contrary to public interest.

In re Agricultural Twine Manufacturers' Association of Great Britain and Northern Ireland's Agreement (T.N. October 6).

Restrictions in agreements held contrary to public interest.

In re Concrete Mixers' Agreements (T.N. October 15).

Application refused for restrictions relating to exports to be excluded from consideration by the Court.

In re Carpet Manufacturers' Agreements (T.N. October 15).

Road Traffic

Driver on main road held negligent at common law because he did not take steps to see that traffic on side road was slowing down to wait and not going to emerge, as his experience told him sometimes happened.

Lang v. *London Transport Executive* (T.N. October 20).

Provisions of Section 36 (2) of Road Traffic Act, 1930, relating to payment made by authorised insurer to "any person" could not be confined to persons compulsorily insured, but included also voluntary passengers.

Barnet Group Hospital Management Committee v. *Eagle Star Insurance Co. Ltd.* (3 W.L.R. 610).

Sale of Goods

Purpose of Section 25 (2) of Sale of Goods Act, 1893, is to protect an innocent person in his dealings with a buyer who appeared to have the right to deal with the goods.

D. F. Mount Ltd. v. *Jay & Jay* (*Provisions*) *Co. Ltd.* (3 W.L.R. 537).

Shipping

Where vessel was owned by public authority and was not profit-earning and where owners had neither chartered alternative tonnage nor provided substitute vessel, damages should be computed at reasonable rate of interest on value of vessel.

The Hebridean Coast (3 W.L.R. 569).

Trusts

Appointment as life tenant under marriage settlement of jointure "without any deduction (except for succession duty if any)" held valid appointment free of estate duty.

In re Lonsdale deceased (T.N. October 22).

Validity of gifts of income to local authorities upheld where such income was directed to be applied by them for the benefit of certain charities. Scheme directed to be prepared.

In re Woolnough's Will Trusts (T.N. October 22).

Wills

Gift in will to parish council for purpose of providing some useful memorial to testator failed for uncertainty.

Re Endacott deceased (T.N. October 13).

GOVERNMENT PUBLICATIONS

Cmnd. 826. Report of the Ministry of Pensions and National Insurance, 1958.

Cmnd. 842. Report of the Committee on Conflicts of Jurisdiction Affecting Children.

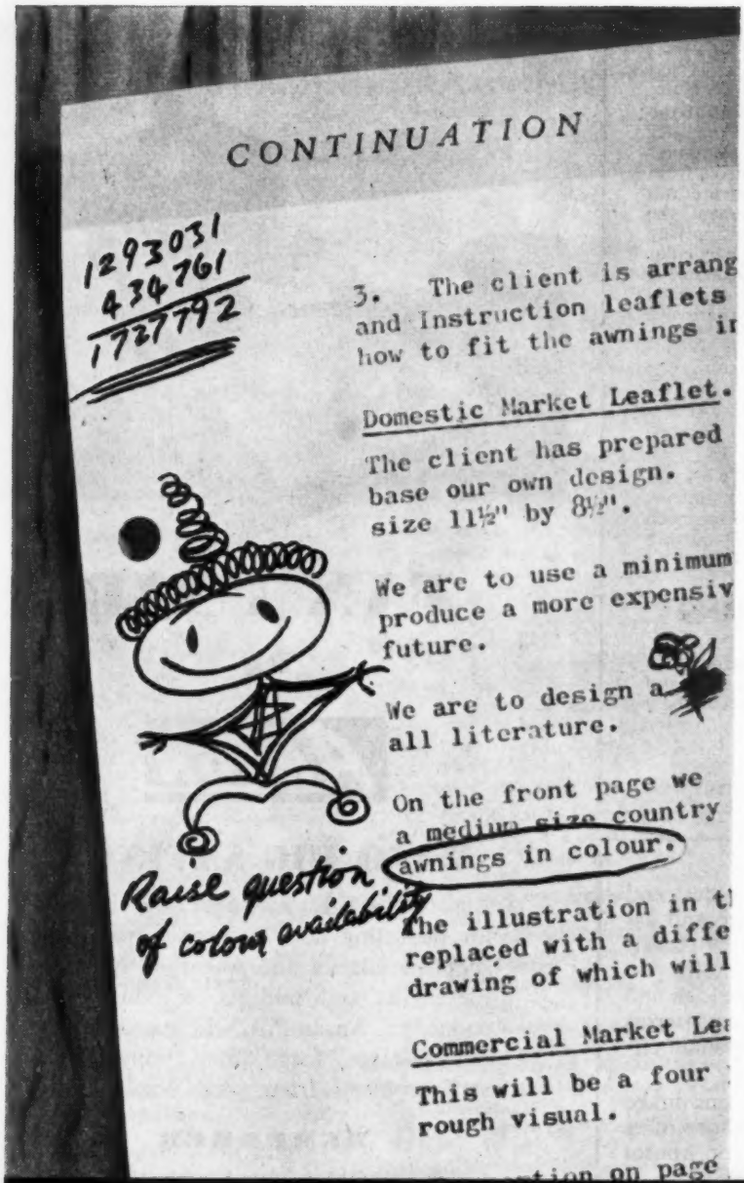
Cmnd. 845. Housing Summary.

H.C. 262. Joint Committee on Promotion of Private Bills Report.

Cmnd. 786. Report of Committee of Enquiry into the Financial Structure of the Colonial Development Corporation.

ARTICLES

ABBREVIATIONS USED
All E.R. The All England Law Reports
T.N. *The Times* Newspaper
W.L.R. The Weekly Law Reports
Note: Taxation cases and articles excluded



Copy of a squiggle at a conference

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The Student's Columns

THE COMPUTATION OF PROFITS FOR PROFITS TAX

PROFITS FOR PROFITS tax purposes are computed on the same rules as for income tax purposes, except where there are express provisions to the contrary. Differences arise in the following respects:

(1) The basis of assessment is the profits of the actual chargeable accounting period (C.A.P.). This is normally the same as the accounting period, but an accounting period has to be split into two or more C.A.P.'s if it bridges a date of change in the rate of profits tax. For example, if the accounting period was the year to January 31, 1959, it would be split into two C.A.P.'s, one of two months to March 31, 1958, and the other of ten months to January 31, 1959. The C.A.P. may also differ from the accounting period where there is a change in the accounting date: the Inland Revenue can then decide on the period to be taken.

(2) Profits of investment and similar companies have to be computed as if they were carrying on a trade.

(3) All businesses carried on by a company have to be treated as one, that is, the profits have to be aggregated.

(4) Capital allowances, except investment allowances, are apportioned to fit the accounting period. Thus, in an accounting period of a year to January 31, 1959, there would be taken two-twelfths of the 1957/58 and ten-twelfths of the 1958/59 allowances. Likewise, balancing charges have to be apportioned and brought in as profits. All capital allowances are deducted in computing profits or losses; if they exceed the profits, it is a loss that is carried forward, not capital allowances. Investment allowances are given in the accounting period in which the expenditure was incurred. Thus expenditure incurred after April 7, 1959, in an accounting period ended June 30, 1959, would (unless it were a new business) attract investment allowances in 1960/61 for income tax purposes, but the allowances would be made for profits tax purposes in computing the profits of the year to June 30, 1959.

(5) Annual payments, such as ground rent, patent royalties and debenture interest, are allowed as deductions in computing profits for profits tax purposes, provided they are laid out wholly and exclusively for the purposes of the business(es). There is, however, an exception in that annual payments made to the directors of a director-controlled company, other than whole-time service directors, are not allowable.

(6) In no circumstances can the net annual value of business premises be deducted, but the actual rent payable is allowed.

(7) Investment income has to be included in the profits unless it is franked investment income (F.I.I.), that is, dividends or other distributions of profits from a company the profits of which are liable to profits tax (or would be liable if not so small as to be exempted).

(8) Where contracts extend beyond the C.A.P. there has to be estimated the profit or loss that is expected to be realised when the contract is finished, and the proportion thereof appropriate to the work done in the period has to be included in the computation of profits.

(9) In a director-controlled company, there is a limitation on the total remuneration of the directors other than whole-time service directors. This was explained in the issue of ACCOUNTANCY for July/August, 1959, on pages 394–5.

It is usual to compute the profits for profits tax from the profits as adjusted for income tax, Case I of Schedule D, as is seen in the following illustration:

Illustration

C.A.P.: the year ended June 30, 1959. A director-controlled company.

Income tax computation for 1960/61 assessment:

	£	£
Profits per accounts to June 30, 1959		22,590
Debenture interest		5,000
Depreciation		3,472
Charitable subscriptions		5
Loss on sale of investments		390
Rent of business premises		600
		32,057
Deduct:		
Net annual value (N.A.V.) of business premises	900	
Defence Bond interest	50	
Dividends from U.K. trading companies	4,450	
Interest do.	2,000	
Foreign dividends	1,300	
Bank interest	750	
		9,450
		22,607

Profits Tax computation:

	£	£
C.A.P., 1.7.58 to 30.6.59		
As for income tax		22,607
N.A.V.		900
Investment income £(50+4,450+2,000 +1,300+750)	8,550	
Less: F.I.I.	4,450	
		4,100
		27,607
Deduct:		
Debenture interest	5,000	
Less paid to directors (other than whole-time service)	2,000	
	3,000	
Rent	600	
		3,600
		24,007
Add:		
Remuneration of directors (other than whole-time service) ..		16,200
		40,207
Deduct:		
Allowable remuneration:		
15 per cent. of £40,207= ..		6,031
(3 full-time directors ¾×£5,500+¼ ×£7,000=£5,875)		
		34,176

RIGHTS ISSUES

WHEN A PUBLIC company whose shares are quoted on a stock exchange desires to raise further funds by a new issue, it is now a common practice to give existing equity shareholders the right to subscribe at a price fixed below the current market price. This right is sometimes extended to holders of Preference shares and long-term loan creditors (for example, debenture-holders). The issue is known as a "rights issue."

Such a practice has much to commend it. Firstly, existing shareholders—particularly equity shareholders—may well be regarded as morally entitled to an opportunity to participate in any enlargement of the capital structure of the company in priority to outsiders. Secondly, when a company has substantial reserves any increase in capital has the effect of "watering down" the capital structure, and, if the new capital is to be in equity shares, this will have the effect of reducing not only the net asset cover of each unit of the equity but also the gear ratio of the capital, giving equity shareholders a further moral right to some share in the capital enlargement.

A share in the increased capital may be given to shareholders simply by way of a prior right to apply for new shares or debentures, the issue being either restricted to shareholders or offered to the public on terms providing that existing shareholders will be given priority in the allotment. It is customary to provide shareholders with application forms bearing a distinctive mark or printed on paper of a colour different from that of the forms supplied to the public.

The common practice nowadays is to make a rights issue. Each shareholder is given the right to subscribe for a specified number of shares in proportion to the number of existing shares held. He is issued with a renounceable document entitling him either to pay the (preferential) subscription price and to take up the new shares or to sell on the market his rights to take them up. Any transfer of rights on a renounceable allotment letter is not subject to the £2 per cent. stamp duty.

In this way the position of the equity shareholder is to a considerable extent safeguarded. If he is unable to maintain his share of the equity through inability or unwillingness to subscribe, he can obtain the value of the rights as a cash consideration.

Companies making a rights issue often give shareholders the right to apply in addition for any shares that are not taken up by other shareholders as a right, the price of any such "excess" shares being the rights issue price. The "excess" shares will be allotted, as with an ordinary new issue, among those who apply.

When a rights issue is made the rights are valued in the market at the difference between the issue price and the current price of existing shares of the same type. The arithmetic is simple enough. On the assumption that there is no change in the public estimation of the position and prospects of the company, the *total* price of the old and new shares combined, after the issue is announced, will equal the total price of the old shares before the issue is announced *plus* the cash subscribed for the new issue. Thus, if (for example) shares in a company stand at 50s. and there is announced a rights issue of one new share at 40s. for every two shares already held, the price of two old shares *plus* one new share becomes (2×50s.)=100s.+40s.=140s. Each share after the announcement of the issue is then worth 140s.÷3, or 46s. 8d. The value of the rights is 50s. *less* 46s. 8d. or 3s. 4d. per old share, and that is the amount by which the quotation of the old shares (*ex* rights) will have fallen on the market. In other words, since a share in the company (ignoring stamp duty) will now cost 46s. 8d., a buyer will be indifferent whether he buys a share at that price or buys the right to subscribe for a new share at 40s.—a right for which he has to pay 2×3s. 4d.= 6s. 8d. (since he must buy the rights on two old shares in order to subscribe for one new share).

In practice, the announcement of the issue is likely to complicate this arithmetic by changing the public estimation of what the total share issue of the company is

worth. If on balance it is thought, for example, that the company seems to be in need of the new capital to keep up its profit-earning capacity, the quotation for the new shares and for the old shares *ex* rights (and also for the rights) may fall below the figures arrived at by the pure arithmetic given in our illustration. More probably, it may be considered that its profit potential is likely to improve and/or that the dividends are likely to increase more than proportionately to tee capital: then the share quotation—and thus also the value of the rights—will go higher, perhaps considerably higher, than the bare arithmetic of the foregoing example illustrates.

Notices

The **Accountants' Christian Fellowship** will hold a meeting for Bible reading and prayer at 6 p.m. on December 7, in the vestry at St. Mary Woolnoth Church, Lombard Street, London, E.C.3. (The Scripture will be John, Chapter 14, verses 21 to 26—promises for keeping His commandments.) On Tuesday, December 8, at 6 p.m. in the Oak Hall of the Institute of Chartered Accountants, Moorgate Place, E.C.2, there will be an address by Mr. George Cansdale on "Does it matter what we believe if we are honest?"

The Fellowship was formed in 1953 with the object of promoting fellowship among Christians preparing for and engaged in accountancy, and by so doing to seek to extend the Kingdom of God. Its basis is the acceptance of the principles of the Christian faith as taught in the Scriptures, particularly a personal trust in our Lord and Saviour, Jesus Christ. There are now about 450 members, and the number is increasing. The Fellowship is interdenominational, and welcomes as members all accountants and accountancy students who love our Lord and Saviour, Jesus Christ, in sincerity and in truth, and who desire to give expression to their faith within the sphere of their business life. Those who wish to join should write to the Hon. Secretary, Mr. R. J. Carter, B.COM., F.C.A., Finsbury Circus House, Blomfield Street, London, E.C.2, or enquire at one of the meetings which are announced in this column from time to time.

Bulmer's Business Machines Ltd. is introducing two new **Addo-X Add Listing** machines. Model 49, hand operated, will sell at £49; Model 49E, electrically operated, at £69. These will be the lowest priced simplified-keyboard machines on the market, the makers state, although they embody all the standard features. The capacity of both machines is £99,999 19s. 11d.

The British Institute of Management at the annual general meeting on October 21 elected Lord Baillieu as its first president. Lord Baillieu is president of the Dunlop Rubber Company, a director of the Midland and English, Scottish and Australian Banks and Chairman of Central Mining and Investment Corporation. In a very different field he is chairman of the English Speaking Union.

The **Association of Certified and Corporate Accountants** held, at the Connaught Rooms on October 26, the first of its 1959/60 winter luncheon meetings. Mr. William Jackson, F.A.C.C.A., President of the Association, introduced Colonel K. Cantlie, M.I.MECH.E., M.I.LOCO.E., the guest speaker, who, drawing on a long and detailed acquaintance with China, gave the 150 members and guests an interesting and individual account of the historical developments leading to the present position in that country.

A one-day conference to be held on December 8 by the Industrial Welfare Society at Robert Hyde House, 48 Bryanston Square, London, W.1, will consider possible changes in **holiday habits**, including such suggestions as more staggering and the moving of the August bank holiday to a date later in the year. The conference is open to non-members.

The **Auto Erase** is now available in this country. It is an electric eraser, worked by two standard batteries, concealed within the case in which it is packed when not in operation. It removes pencil, ink or typed matter, and even a single character can be erased without the use of a shield and without protecting carbon copies. It is marketed by Badenia Calculators, Lion House, Red Lion Street, W.C.1, and the price is 50s. complete.

The **Anson "Director"** is a new high-speed photocopier of simple operation which is suitable for personal use as well as in business. The makers claim that with its automatic colour selector and constant-level replenisher it will give complete photocopies of even multi-coloured originals within a few seconds. It is made of stainless steel with nylon gears and priced at £82 15s. 0d.

The Institute of Chartered Accountants
in England and Wales

Meetings of the Council

AT SPECIAL AND ordinary meetings of the Council held on Wednesday, November 4, 1959, at the Hall of the Institute, Moorgate Place, London, E.C.2, there were present: Mr. C. U. Peat, M.C., President, in the Chair; Mr. S. J. Pears, Vice-President; Mr. E. Baldry, O.B.E., Mr. C. Percy Barrowcliff, Mr. W. L. Barrows, Mr. T. A. Hamilton Baynes, Mr. J. H. Bell, Mr. H. A. Benson, C.B.E., Mr. P. F. Carpenter, Mr. G. T. E. Chamberlain, Mr. D. A. Clarke, Mr. J. Clayton, Mr. C. Croxton-Smith, Mr. W. G. Densem, Mr. W. W. Fea, Mr. J. Godfrey, Mr. G. G. G. Goult, Mr. P. F. Granger, Mr. J. S. Heaton, Mr. P. D. Irons, Mr. H. O. Johnson, Mr. W. H. Lawson, C.B.E., Mr. H. L. Layton, Mr. R. B. Leech, M.B.E., Mr. R. McNeil, Mr. J. H. Mann, M.B.E., Mr. R. P. Matthews, Mr. Bertram Nelson, C.B.E., Mr. P. V. Roberts, Mr. L. W. Robson, Sir Thomas Robson, M.B.E., Mr. K. G. Shuttleworth, Mr. J. E. Talbot, Mr. E. D. Taylor, Mr. A. D. Walker, Mr. A. H. Walton, Mr. M. Wheatley Jones, Mr. E. F. G. Whinney, Mr. J. C. Montgomery Williams, Mr. R. P. Winter, C.B.E., M.C., Mr. E. K. Wright, Sir Richard Yeabsley, C.B.E., with the Assistant Secretaries.

Royal Society of Arts
Mr. J. A. Jackson, F.C.A., was nominated to represent the Institute on the Examination Committee of the Royal Society of Arts following the resignation of Mr. J. H. Mann, M.A., F.C.A.

Technical Activities
The Council has set up a committee with the following terms of reference:

> To review the whole question of the Institute's activities in the technical field and to report with recommendations on (*a*) objectives, (*b*) how those objectives can be achieved, and (*c*) the associated problems of staff and office accommodation.

Section 16, Finance Act, 1958
Members' Subscriptions to *Accountancy*
Members of the Institute were informed in 1958 that the Commissioners of Inland Revenue had approved the Institute for the purpose of Section 16 of the Finance Act, 1958, so that the whole of the annual subscription paid by a member who qualifies for relief under that Section will be allowable as a deduction from his emoluments assessable to income tax under Schedule E. The Section refers to "any annual subscription paid to a body of persons approved for the purposes of this Section by the Commissioners of Inland Revenue," and the Inland Revenue has agreed with the Council that a member who qualifies for relief under the Section is entitled to have his subscription to ACCOUNTANCY allowed as a deduction from his emoluments assessable under Schedule E. ACCOUNTANCY is the journal of the Institute, and a member who is a subscriber pays an "annual subscription" to the Institute.

Registration of Former Articled Clerks and Bye-Law Candidates of the Society
After February 29, 1960, the Council will not consider an application by any former articled clerk or former bye-law candidate of the Society for registration under the scheme of integration

Exemption from the Preliminary Examination
The Council has approved certain changes in the conditions relating to exemption from the Preliminary examination. It will now accept, for the purpose of such exemption, passes obtained at the appropriate standard in any one or more of the following examinations, under the same conditions as have hitherto applied to performances in the general certificate of education examinations of the nine examining bodies in England and Wales:

- General certificate of education; School certificate; Higher school certificate; Matriculation examination — conducted anywhere in the world by an examining body in England and Wales.
- Northern Ireland—Ministry of Education senior leaving examination.
- Scotland—Senior leaving certificate; Scottish leaving certificate; Preliminary examination of the Scottish Universities Entrance Board.
- University of Cambridge—Previous examination.
- University of Oxford—Responsions.

There has been no addition to the list of recognised examinations.

The sole purpose of the changes introduced has been to achieve a greater degree of uniformity in the requirements for exemption from the Preliminary examination. Full details of the amended regulations appear in the May, 1960, examinations edition of the booklet *General Information and Syllabus of Examinations*, which is now available from the offices of the Institute.

Exemption from the Preliminary Examination
One application under bye-law 79 for exemption from the Preliminary examination was acceded to.

Exemption from the Intermediate Examination
One application under bye-law 85 (*b*) for exemption from the Intermediate examination was acceded to. Two applications were not acceded to.

Reduction in Period of Service under Articles
Three applications under bye-law 61 for a reduction in the period of service under articles were acceded to.

Registration of Articles
The Secretary reported the registration of 434 articles of clerkship during the last month, the total number since January 1, 1959, being 2,048.

Admissions to Membership
The following were admitted to membership of the Institute:

ASTLES, GEORGE ROBERT; A.C.A., 1959; 69 Longley Lane, Northenden, Manchester, 22.
§BECKET, ALEXANDER EDWARD; A.S.A.A., 1959; c/o Richmond, Corlett & Co., 813 Permanent Buildings, Smith Street, Durban, Natal, South Africa.
DAVIES, RICHARD WILLIAM, B.A.; A.C.A., 1959; Corbar, Beech Hill, Hadley Wood, Herts.
§EEKHOUT, DAVID JOHN; A.S.A.A., 1959; with *Deloitte, Plender, Griffiths, Annan & Co., P.O. Box 1152, Johannesburg, South Africa.
GLOVER, ERIC BRIAN; A.C.A., 1959; Flat 1, 7 Abbey Foregate, Shrewsbury, Salop.
HANDYSIDE, ROBERT GRAHAM; A.C.A., 1959; 2 Glasllwch Crescent, Newport, Mon.
JACKSON, ROBERT WILLIAM EDWARD; A.C.A., 1959; 13 Cutliffe Place, Bedford.
KAYE, JAMES MAXWELL; A.C.A., 1959; Horse and Groom, Carholme Road, Lincoln.
§MARKS, ISAAC HENRY; (1959); A.S.A.A., 1909; 56 Queen Street, Melbourne, C.1, Victoria, Australia.

OHRENSTEIN, ANTHONY PETER; A.C.A., 1959; 41 Ravenswood Avenue, Birdhaven, Johannesburg, South Africa.

SAUNDERS, KENNETH JOHN; A.C.A., 1959; 71 Brunswick Crescent, New Southgate, London, N.11.

THOMAS, ABRAHAM IDASERIL; A.C.A., 1959; 5 Murray Street, London, N.W.1.

WALTON, PAUL; A.C.A., 1959; 32 Marine Parade, Sheerness, Kent.

Elections to Fellowship

The following were elected to fellowship:

ALEXANDER, BASIL DENIS; A.C.A., 1949; (Kingsford, Garlant & Co.), Norwich Union House, 35 Earl Street, Maidstone, Kent, and at London.

ARMITAGE, BRIAN; A.C.A., 1923; (Armitage, Carlisle & Co.), 4 Wormald Row, Albion Street, Leeds, 2.

BARRON, DAVID FRED; A.C.A., 1958; (S. 1952, f. 1956); (*Kingscott, Dix & Co.), The Booth Hall, The Market Place, Evesham, Worcs, and at Broadway, Cinderford and Gloucester; also at Pershore (*A. J. Feek & Co.).

CARLISLE, GEORGE CLIFFORD; A.C.A., 1922; (Armitage, Carlisle & Co.), 4 Wormald Row, Albion Street, Leeds, 2.

COLLIS, FRANK; A.C.A., 1952; (†Jarvis, Maxwell Chalmers & Co.), 230 Strand, London, W.C.2.

DYER, ALAN WATSON; A.C.A., 1958; (S. 1953); (C. Neville Russell & Co.), Poultry Chambers, 11 Poultry, London, E.C.2; also at Egham (Weller & Co.).

EDGE-PARTINGTON, JAMES PATRICK SEYMOUR; A.C.A., 1951; (Allen, Baldry, Holman & Best), 36 New Broad Street, London, E.C.2, and at Guildford.

FERGUSON, JAMES CHARLES STUART, B.A.; A.C.A., 1950; (Newman Ogle, Bevan & Co.), Spencer House, South Place, London, E.C.2.

JOHNSON, KENNETH WALFORD; LL.B.; A.C.A., 1958; (S. 1952); (Crick & Bussell), 33 King Street, London, E.C.2.

JONES, DERYCK HADLEY; A.C.A., 1949; (John W. Hinks & Co.), 36A Waterloo Street, Birmingham, 2, and at Smethwick.

KENT, BRIAN STANLEY; A.C.A., 1958; (S. 1952); (Wheeler, Whittingham & Kent), Old Bank Buildings, Bellstone, Shrewsbury, Salop, and at Newtown, Montgomeryshire.

LORD, RICHARD EDWARD; A.C.A., 1958; (S. 1951); (Lord, Taylor & Co.), 22 Bridge Street, Manchester, 3.

MILNE, DONALD WILLIAMSON; A.C.A., 1933; (D. Williamson Milne & Co.), 5 Albemarle Street, Piccadilly, London, W.1.

PENKETH, RONALD WILLIAM; A.C.A., 1951; (Edward Denton & Son), 1 Marybone, Liverpool, 3.

ROBBE, JACK ROBERT; A.C.A., 1954; (J. R. Robbé & Co.), 4 Sterling Buildings, The Carfax, Horsham, Sussex.

ROFFE, RONALD JOHN CAWLEY; A.C.A., 1952; (John Goodwin & Co. and Roffe, Swayne & Co.), 50 Lincoln's Inn Fields, London, W.C.2; also at Godalming (Roffe, Swayne & Co.).

ROLINSON, FREDERICK JOSEPH; A.C.A., 1952; (John W. Hinks & Co.), 36A Waterloo Street, Birmingham, 2, and at Smethwick.

ROWLES, ARTHUR LEONARD; A.C.A., 1954; (Barron, Bass & Co.), Chansitor House, 37/38 Chancery Lane, London, W.C.2.

SEGAL, SIDNEY; A.C.A., 1952; (Gollop, Kandler & White), 101 Hatton Garden, Holborn, London, E.C.1.

TOWNSEND, JACK; A.C.A., 1951; (Edward Denton & Son), 1 Marybone, Liverpool, 3.

VARCOE, JOHN HEDLEY; A.C.A., 1958; (S. 1954); (Brooke-Smith & Co.), 80 Whiteladies Road, Clifton, Bristol, 8.

WRIGHTSON, LARARD SNOWDEN; A.C.A., 1953; (Hodgson, Harris & Co.), Old Market Place, Grimsby; (for other towns see Hodgson, Harris & Co.).

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

ANDERSEN, REGINALD ERNEST; A.C.A., 1959; (†Greenhalgh, Sharp & Co.), 17 Half Moon Street, London, W.1.

AVES, KENNETH; A.C.A., 1958; (S. 1956); (Mercer & Hole), 1 St. Albans Road, Hatfield, Herts, and at St. Albans.

BAYLISS, LIONEL MARK; F.C.A., 1958; (S. 1924, f. 1928); (*W. J. R. Judkins & Co.), 334 High Street, Chatham.

BENGREE, JOHN STEPHEN; A.C.A., 1958; (S. 1953); (Wm. Lloyd & Co.), Priory Chambers, Priory Street, Dudley, Worcs.

BENSON, ROGER SCHOLES; A.C.A., 1954; (Titman & Benson), 11 Loughborough Road, West Bridgford, Notts.

BERKOWITZ, DAVID MAURICE; A.C.A., 1957; 24 Downton Avenue, Streatham Hill, London, S.W.2.

BERRY, PETER JOHN; A.C.A., 1956; (C. B. Ashby & Co.), 4 Valley Bridge Parade, Scarborough, and at Malton.

BOTY, JOHN WILLIAM; A.C.A., 1958; 26 Dingwall Road, East Croydon, Surrey.

CHAPMAN, ROY; A.C.A., 1959; 33 Park Avenue, Hartsholme, Lincoln.

CLARK, JAMES MICHAEL DOWSETT; A.C.A., 1958; (Thorne, Widgery & Co.), 54 Broad Street, Ludlow, Salop, and at Leominster.

COOK, JOHN JEFFREY; A.C.A., 1958; (Lambart Sladen & Co.), 56 Buckingham Gate, Westminster, London, S.W.1.

CORFIELD, RONALD; A.C.A., 1954; 114 Portland Street, Manchester, 1.

CRAMER, SAMUEL JOHN, B.COM.; A.C.A., 1958; (Goodman, Cramer & Co.), 44 Commercial Road, Bournemouth, and at London.

DASH, EDGAR HERBERT; A.C.A., 1950; (Walter Johnson & Partners), 28 High Street, 1 Commercial Road, and 105A Victoria Road, Swindon, Wilts.

DAVIES, KENNETH; A.C.A., 1954; (Gibson, Appleby & Co.), 20 Bloomsbury Square, London, W.C.1.

DAWKES, JOHN; A.C.A., 1957; (Dawkes & Co.), 102 Tower Road, Four Oaks, Sutton Coldfield.

DE MENEZES, DOMINIC JOHN SANTANA; A.C.A., 1958; 25A Gordon Road, South Woodford, London, E.18.

DIXON, JOHN BRIAN; A.C.A., 1951; (C. Percy Barrowcliff & Co.), 55/57 Albert Road, Middlesbrough, and at Leeds, Newcastle upon Tyne and Wakefield.

FFOULKES-JONES, JOHN DILLWYN; A.C.A., 1955; (Guy Walmsley & Co.), 1 Duke Street, Wrexham, Denbighshire.

FINLEY, FRANK WILLIAM; A.C.A., 1958; (S. 1950); (*Davis, Finley & Co.), 19 High Street, Glastonbury, Somerset.

FOSTER, ERIC LANCELOT; A.C.A., 1959; 26 Brookleigh Road, Withington, Manchester, 20.

FULLERTON, RONALD WOODS; A.C.A., 1939; 31 The Meadway, Cuffley, Herts.

GODFREY, PETER; A.C.A., 1958; (S. 1949); (†Whinney, Smith & Whinney and †Harold E. Clarke & Co.), 4B Frederick's Place, Old Jewry, London, E.C.2; and at Birmingham; also at Blackpool, Leeds and Manchester, (†Whinney, Smith & Whinney).

GOLDHILL, STANLEY; A.C.A., 1957; 25 Wren Avenue, Cricklewood, London, N.W.2.

HANSON, DAVID JOHN; A.C.A., 1957; (Webb, Hanson, Bullivant & Co.), 90 Deansgate, Manchester, 3.

HILLEL, DAVID; A.C.A., 1959; (D. Hillel & Co.), 5 Parkway, Temple Fortune, London, N.W.11.

HOPES, CLIFFORD BYLES; A.C.A., 1958; (S. 1956); 164 Chadacre Road, Stoneleigh, Ewell, Surrey.

HUBBARD, JOHN MAURICE; A.C.A., 1958; (S. 1948); (Fox & Co.), 14 King Street, Leicester.

HURST, JOSEPH GERARD, JUNR.; A.C.A., 1953; (†McClelland, Moores & Co.), Century Buildings, 31 North John Street, Liverpool, 2, and at London.

JOHNSON, COLIN STUART; A.C.A., 1959; (C. S. Johnson & Co.), 1/2 Great Winchester Street, London, E.C.2.

KENWORTHY, EDWARD LANGHORNE; A.C.A., 1932; (Abbott, Deeley, Hill & Co.), Sun Building, Bennetts Hill, Birmingham, 2, and at London.

LAMBERT, MICHAEL ANTHONY; A.C.A., 1959; (Alfred Laban, Son & Co.), 25/27 Oxford Street, London, W.1, and at Harrow.

LEWIS, EDWARD THOMAS; A.C.A., 1959; (Mellors, Basden & Co.), Portland House, 73 Basinghall Street, London, E.C.2.

MARKS, MILTON MAURICE; A.C.A., 1959; (Fisher, Sassoon & Co.), Havinden House, 71 Baker Street, London, W.1, and at Petts Wood.

MONOD, KENNETH ALEXIS; A.C.A., 1955; (Brewster & Brewster), Upton Chambers, 12 Upton Road, Watford, Herts.

MORPHEW, JOHN BERNARD; A.C.A., 1959; Stafford House, Churchfields, Broxbourne, Herts.

PHILLIPS, EDGAR; A.C.A., 1958; 27 Sabrina Road, Wightwick, Wolverhampton.

RAVENSDALE, ROBERT CYRIL; A.C.A., 1958; (S. 1954); (H. R. Horne & Partners), 42 Friar Gate, Derby.

ROWLINSON, DONALD HERBERT; A.C.A., 1959; (Gerald Braunton, Jacobs & Co.), 70 Bath Road, Wolverhampton.

SCUTT, DEREK GEORGE; A.C.A., 1959; (Penfold, Champ & Meyler), 2 Marlborough Place, Brighton, 1.

STAGGS, HENRY FREDERICK; A.C.A., 1958; (S. 1952); 29 Ainsley Avenue, Romford, Essex.

STANSFIELD, JOHN PHILIP; A.C.A., 1958; (Moss & Williamson), Booth Street Chambers, Ashton-under-Lyne.

STEPHENSON, ROWLAND ERNEST; A.C.A., 1958; (S. 1955); (Stephenson & Co.), 2nd Floor, Bristol & West House, Post Office Road, Bournemouth.

STONE, GILBERT SEYMOUR; A.C.A., 1938; 6 Deanery Mews, London, W.1.

THURGOOD, DOUGLAS CEAL; A.C.A., 1959; (Begbie, Robinson & Co. and H. L. Thurgood & Co.), 16 St. Albans Road, Watford, and at London and Tonbridge.

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§ Means 'incorporated accountant member'.
S. means year of admission to membership of the Society.
Firms not marked † or * are composed wholly of members of the Institute.
† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.
* Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

VARCOE, BRIAN RICHARD; A.C.A., 1959; (Brooke-Smith & Co.), 80 Whiteladies Road, Clifton, Bristol, 8.

WEDGE, BRYAN KENNETH; A.C.A., 1959; (John Flay & Co.), Bank Chambers, Bank Street, Worcester.

WEISBERG, MICHAEL DAVID; A.C.A., 1956; (Fisher, Sassoon & Co.), Havinden House, 71 Baker Street, London, W.1, and at Petts Wood.

WHINNEY, JOHN ANTHONY PERROT; A.C.A., 1956; (†Whinney, Smith & Whinney and †Harold E. Clarke & Co.), 4B Frederick's Place, Old Jewry, London, E.C.2, and at Birmingham; also at Blackpool, Leeds and Manchester (†Whinney, Smith & Whinney).

WHITE, FRED; A.C.A., 1958; (S. 1955); (Greenhalgh, Sharp & Co.), 30 Brown Street, Manchester, 2.

Readmissions to Membership

Subject to payment of the amount required by the Council, one former member of the Institute was readmitted to membership under clause 23 of the Supplemental Royal Charter.

It was reported to the Council that the following readmissions, made at the Council meetings on July 1 and October 7, 1959, subject to payment of the amount required, had become effective:

COOPER, MARK GARNETT, A.C.A., c/o Gardners (Bristol) Ltd., 14–16 Queen Square, Bristol, 1.

RENAUT, DEREK ANTHONY, A.C.A., c/o Giffen, Hills & Carruth, 8th Floor, Bank of America Building, Fresno, California.

SIMMONDS, GEOFFREY EMANUEL, A.C.A., c/o Willetts, Berge & Co., 212 Barry Building, Edmonton, Alberta, Canada.

SLOD, ALEXANDER BASIL, F.C.A. (A. Slod & Co.) 32 Allenby Road, Tel-Aviv, Israel.

TAWAKOL, ABDEL HAMID, A.C.A., 28 Soliman Pacha Street, Cairo, Egypt.

VARWELL, JOHN BROWNING, A.C.A., 65 Leylands Road, Burgess Hill, Sussex.

Fellowship

The Secretary reported that he had received from the Clerk of the Privy Council formal notice of the allowance of the alterations to the Supplemental Royal Charter and the Bye-Laws contained in the resolution passed at a meeting of members held on June 2, 1959, and duly confirmed at a meeting held on August 5, 1959.

Change of Name

The Secretary reported that the following changes of name had been made in the Institute's records:—

BREGAZZI, RONALD ALEXANDER to BRADLEY, RONALD ALEXANDER.

GOLDBERG, STANLEY to GOLDHILL, STANLEY.

SMITH, GEOFFREY MAITLAND to MAITLAND SMITH, GEOFFREY.

Resignations

The Council accepted the resignations from membership of the Institute of:

PEARCE, STANLEY; F.S.A.A., 1958; (S. 1914, f. 1927); 43 Sandhurst Avenue, St. Annes-on-Sea.

SHERLOCK, WILLIAM NOWLAN; A.C.A., 1908; Director and Secretary, Birmid Industries, Ltd., Birmid Works, Dartmouth Road, Smethwick, Staffs.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

HEYWOOD, CHARLES COMER, A.C.A., Disley, Cheshire.

INGRAM, HEDLEY FREDERIC, A.C.A., Nottingham.

LOFTHOUSE, MARK, A.S.A.A., Stratford-on-Avon.

MIDGLEY, NORMAN, A.C.A., Leeds.

ROBINSON, ALFRED GEORGE, A.S.A.A., Victoria, Australia.

SLY, THOMAS WILLIAM, T.D., A.C.A., Hounslow.

STEYN, RAYMOND, F.S.A.A., Johannesburg.

WRIGHT-ANDERSON, HUBERT EDWARD, A.C.A., London.

Findings and Decisions of the Disciplinary Committee

Findings and Decisions of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21, 1948, at hearings held on October 7, 1959.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that a fellow of the Institute was in May, 1959, at Bow Street Magistrates' Court convicted on a charge that being the liquidator of a limited company he failed to send to the Registrar of Companies a statement relating to the position of the liquidation of that company contrary to Section 342 of the Companies Act, 1948, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint had been proved and ordered that the member be admonished, but the Committee considered that there existed special circumstances justifying the omission of his name from the publication of the Finding and Decision.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that John Charles Skett, A.C.A., was at the Criminal Sessions held in Her Majesty's High Court of Tanganyika at Dar-es-Salaam convicted on a charge of doing grievous harm with intent to do grievous harm contrary to Section 222 (I) of the Penal Codes, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against John Charles Skett, A.C.A., had been proved and the Committee ordered that John Charles Skett, A.C.A., be excluded from membership of the Institute.

Taxation and Research Committee

THE ONE-HUNDRED-AND-FIFTH meeting of the Taxation and Research Committee was held at the Institute on Thursday, October 22, 1959.

Present

Mr. A. H. Proud (in the chair), Mr. C. W. Aston, Mr. R. D. R. Bateman, M.B.E., Mr. C. V. Best, Mr. W. R. Carter, Mr. J. Cartner, Mr. J. B. L. Clark, C.B.E., Mr. L. H. Clark, Mr. H. O. H. Coulson, Mr. S. M. Duncan, Mr. W. F. Edwards, Mr. A. R. English, Mr. F. J. Eves, Mr. E. S. Foden, Mr. C. R. P. Goodwin, Mr. N. B. Hart, O.B.E., T.D., Mr. W. S. Hayes, Mr. J. S. F. Hill, Mr. G. N. Hunter, Mr. R. O. A. Keel, Mr. S. Kitchen, Mr. E. N. Macdonald, D.F.C., Mr. G. P. Morgan-Jones, Mr. L. Pells, Mr. J. D. Reekie, Mr. D. W. Robertson, Mr. B. D. Shaw, Mr. H. Eden Smith Mr. A. E. Spicer, Mr. D. E. T. Tanfield, Mr. A. G. Thomas, Mr. D. T. Veale, Mr. J. W Walkden, Mr. F. J. Weeks, Mr. T. S. Welch, and Mr. G. H. Yarnell, with the Secretary.

Address by the President of the Institute

The President of the Institute, Mr. C. U. Peat, M.C., M.A., F.C.A., attended the opening of the meeting. In reply to a speech of welcome by the Chairman, the President said:

"You must have commenced your last year, the seventeenth year of the existence of the Taxation and Research Committee, with high hopes. For you were then planning to celebrate the one-hundredth meeting of your Committee, which took place in December last. If one makes a list of the work completed by the Taxation and Research Committee since last October, it will be found that amongst publications of the Council there is the memorandum on Business Efficiency, the statement by the Council on the Submission of Clients' Accounts to the Inland Revenue, the memorandum on the Finance Bill, 1959, and the statement to the British Association on proposals for a decimal system of currency. In addition the Taxation and Research Committee put forward a number of suggestions on the statement which has now been issued by the Council on the subject of Certificates Required by Trade Associations and Other Bodies. Other matters are still under consideration by you and some have reached an advanced stage.

"To enable so much work to be completed many members of the Committee must have given up a very great deal of time to the study of difficult questions, and all members of the Institute should have a sense of gratitude to those of you who devote so much time and trouble to the work of the Committee.

"When the Taxation and Research Committee was formed in 1942, the Council made a major departure from the policy followed for sixty-two years, by deciding in effect that the Council should extend its activities

by issuing statements on technical matters for the guidance of members of the Institute. The great majority of the members of the Institute have seen nothing but good come from this decision and are grateful for the assistance which is given them by the issue of technical documents and recommendations on accounting principles. Most of these documents and recommendations result from the work of your Committee, and I would like to emphasise what other Presidents have said before me, namely, that this great advance in the development of the Institute could not have taken place without the great assistance of your Committee.

"In the past year you have had the great privilege of having Mr. E. N. Macdonald as your Chairman. He has, as you all know, given great service to the accountancy profession and to the Institute, particularly in the Liverpool area where he has occupied many offices in the Liverpool District Society, including that of its President in the year 1956. He holds the esteem and affection of you all and in spite of numerous difficulties, including an illness during the summer, I know you will agree that he has had a successful year.

"It is clear that the increasing volume of work has made it necessary for your assistance to be strengthened by the appointment of an assistant secretary to your Committee, and, as you know, the Council has taken steps for that purpose. Unfortunately the stoppage in the printing trade prevented the effective advertising of this appointment. I do hope, however, that by the end of this year we shall have succeeded in the by no means easy task of finding a suitable member for the appointment.

"Under your new Chairman, Mr. A. H. Proud, I am sure you will be no less successful in continuing your work on the matters currently before you. Will you, Mr. Chairman, and the members of your Committee, please accept my thanks and best wishes."

Mr. E. N. Macdonald, D.F.C., F.C.A.

A hearty vote of thanks was accorded to Mr. E. N. Macdonald for his services as Chairman of the Committee during the year 1958/59.

Standing Sub-Committees

Reports from the following Standing Sub-Committees were received: General Advisory Sub-Committee, Management Accounting Sub-Committee, Taxation Sub-Committee, Planning Sub-Committee.

Ad hoc Sub-Committees

Progress reports were received from two special sub-committees.

Future Meetings

The next meeting of the Committee will be held on Thursday, December 10, 1959, and the following dates were provisionally fixed for meetings in 1960: Thursdays, February 18, April 21, June 16, September 22, October 20, and December 15, 1960.

Members' Library

A NEW EDITION of the *Short List* of books in the library of the Institute, including books available on loan, was issued last month. Copies are available to members, free and post free, from the Librarian upon receipt of an addressed label.

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

Accounting by Electronic Methods with Particular Reference to the Auditor: a paper; by J. W. Margetts, F.C.A. (Summer Course). Institute of Chartered Accountants. 1959.

Accounting Systems in Modern Business; by E. A. Johnson. New York. 1959. (McGraw-Hill, 60s.)

British Industries and their Organization; by G. C. Allen: 4th edn. 1959. (Longmans, 25s.)

Building Societies with Trustee Status. (Registrar of Friendly Societies.) 1959. [Typescript.]

Business Efficiency—The Part of the Accountant: a paper; by C. I. Bostock, F.C.A. (Summer Course). Institute of Chartered Accountants. 1959.

Canada: land of opportunity; by E. Westropp. 1959. (Oldbourne, 15s.)

Cases in Controllership; by R. H. Hassler and N. E. Harlan. Englewood Cliffs, N.J. 1958. (Prentice-Hall, 63s.)

Classification and Coding Techniques to Facilitate Accounting Operations. (National Association of Accountants. New York. 1959.) (N.A.A., 20s.)

The Cost of Labour Turnover. (British Institute of Management.) 1959. (B.I.M., 17s. 6d.)

Cost Reduction at Work: a report of successful company practices. (American Management Association.) New York. 1959. (A.M.A., 18s.)

Deutsch-Englisches Glossarium Finanzieller und Wirtschaftlicher Fachausdrücke; by C. A. Gunston and C. M. Corner: 3rd edn. Frankfurt. 1959. (Fritz Knapp Verlag, 68s.)

Employer's Liability at Common Law; by J. Munkman: 4th edn. 1959. (Butterworth, 42s. 6d.)

Enactments and Orders concerning Savings Banks in the United Kingdom, the Channel Islands and the Isle of Man; by C. L. Lawton, A.C.A. 2 vols. 1959. (Savings Banks Institute, 60s.)

A Guide to Royalty Agreements. (Publishers Association): 4th edn. 1959. (P.A., 21s.)

How to Pay Less Income Tax; by H. Toch. 1959. (Museum Press, 18s.)

Income Tax and Company Law in South West Africa; by D. Shrand and E. Zwarenstein. Cape Town. 1958. (Legal and Financial Publishing, 45s. 6d.)

Law of Property in Land; by H. G. Rivington: 5th edn. by E. S. Green and R. A. Donell. 1959. (Law Notes Publishing, 45s.)

Motivation Research . . . for advertising, marketing, and other business purposes; by H. Henry. 1958. (Crosby Lockwood, 30s.)

Powers of Attorney: a manual on the law and practice. (Chartered Institute of Secretaries): 8th edn. 1959. (Heffer, 21s.)

Prescription for Partnership: a study of industrial relations; by W. Wallace. 1959. (Pitman, 25s.)

Some Practical Aspects of Death Duties: a paper; by B. G. Rose, A.C.A. (Summer Course). Institute of Chartered Accountants. 1959.

Spicer and Pegler's Income Tax and Profits Tax; by E. E. Spicer, F.C.A., and E. C. Pegler, F.C.A.: 23rd edn. by H. A. R. J. Wilson, F.C.A. 1958. Supplement 1959. (H.F.L., 30s., 2s. 6d.)

Statistics: 12th edn.; by A. R. Ilersic. 1959. (H.F.L., presented, 30s.)

The Taxation of 1297: a translation of the local rolls for . . . Bedford . . .; by A. T. Gaydon. 1958.

Trade Union Law; by H. Samuels: 6th edn. 1959. (Stevens, 17s. 6d.)

Noah, Accountant

THE LEEDS, BRADFORD and District Society of Chartered Accountants held its annual dinner at the Queens Hotel, Leeds, on October 23 under the chairmanship of its President, Mr. H. L. Simpson, F.C.A. The company of 400 members and guests included the Lord Mayor of Leeds (Alderman Mrs. G. A. Stevenson, J.P.), the Mayor of Huddersfield (Alderman J. Louis Brook, J.P.), Mr. C. U. Peat, M.C., F.C.A. (President of the Institute of Chartered Accountants in England and Wales), Mr. C. W. Boyce (a Past President of the Institute), Mr. E. Duncan Taylor, F.C.A., and Mr. Victor Walton, F.C.A. (members of the Council of the Institute), and representatives of other professional bodies and of the Inland Revenue.

Mr. J. D. Eaton Smith, who proposed the toast of the Institute of Chartered Accountants in England and Wales, said he had watched accountants become an integral part of the country's trading, national and international. The profession was interwoven in our commercial structure in the same way as steel wire reinforced concrete. The nation relied upon accountants as financial comptrollers to direct and inspire the economic success of the country. Who better than accountants could advise and guide? They had access to the inside workings of the business and could co-ordinate all its activities to a common purpose. "You will become more and more the trusted organisers of our trading concerns and our commercial enterprises," declared Mr. Eaton Smith. "We in this country are deeply indebted to you for the protection you provide against the ravening and insatiable maw of the Revenue collector. Nevertheless,

we are also becoming more and more conscious of the need for your guidance and skill in directing and controlling industry in all its ramifications and perplexities."

Indeed the day might be approaching, he felt, when those at the head, particularly in our large exporting concerns, must be highly skilled in the principles of accountancy and preferably members of the profession.

Mr. C. U. Peat, M.C., F.C.A., President of the Institute of Chartered Accountants in England and Wales, in response, said that it had been reported in the Press that the Law Society was considering advertising the services that solicitors could render to their clients. The Institute must always be interested in the activities of its great sister profession. Accountants had the closest relationship with solicitors and had a warm admiration for them. Naturally, members of the Institute had, from time to time, thought of some form of mass propaganda to penetrate the ignorance of the man in the street as to exactly what an accountant was, and especially the ignorance of many small industrialists as to the difference between a chartered accountant and one who used the name "accountant" without any qualifications.

It seemed that from the individual's point of view an accountant's services were required from the cradle to the grave, not to the exclusion of the legal or medical professions but in collaboration with them. From the accountant's standpoint a child should be born as late as possible before the end of the financial year so that his parents could claim the child allowance in full for that fiscal year. Then, when marriage was in prospect, the happy couple must be married as nearly as possible before April 5, so that the wife could get her single person's allowance and the husband a married man's allowance for the fiscal year. If the wife was employed, however, it might be even more beneficial for the marriage to take place in the middle of the fiscal year, about the beginning of October. For the six months to October 1, the wife would then get her single personal allowance and reduced rate relief, and for the second six months her additional reduced rate relief for the second time.

"Throughout life the accountant must be at your elbow to advise about earned and unearned income, allowances, covenants, etc. When the time comes to make your will, which, of course, will be drawn up by a lawyer, the accountant is essential to advise about estate duty. The date of death should also, of course, be arranged to fit in with the taxation position," added Mr. Peat; "that is to say, as soon after April 5 as you have earned enough to cover your personal allowances and reduced rate relief for the whole year!"

Mr. Peat recalled the remark made by Mr. Walter Fisher, president in 1901, when he suggested that Noah was the first accountant because he had succeeded in floating a limited company while the rest of the world was in liquidation. Mr. Fisher did not, however, suggest that the account of the animals entering the Ark two by two was the first recorded example of double-entry!

The Council was grateful for all the information and assistance it received from district societies. Headquarters fully appreciated what a strain this placed upon the officers of the district societies, and wanted to say a very emphatic "Thank you." In conclusion he expressed thanks to the staff of the Institute, who had to cope not only with integration but with a tremendous flood of work in connection with research, with the two important new committees (Education and Training and Technical Activities) as well as with the very heavy amount of work flowing through all the other committees.

Proposing the toast of the guests, Mr. H. L. Simpson, President of the Leeds, Bradford and District Society, pointed out that one of the great and far-reaching advantages of the P.A.Y.E. system was that the recipient knew what he had available. He looked forward to the day when there would be an extension of P.A.Y.E. to surtax.

The Lord Mayor of Leeds (Alderman Mrs. G. A. Stevenson, J.P.,), and the Mayor of Huddersfield (Alderman J. Louis Brook, J.P.), responded on behalf of the guests.

The Importance of the Independent Accountant

THE ANNUAL DINNER of the Hull, East Yorkshire and Lincolnshire Society of Chartered Accountants was held at the Guildhall, Hull, on October 30. The chair was taken by Mr. K. P. Helm, F.C.A. (President of the Hull, East Yorkshire and Lincolnshire Society), and the distinguished gathering included the Bishop of Hull (the Rt. Rev. G. F. Townley, M.A.); Lord Middleton, K.G., M.C., T.D., LL.D., J.P. (Lord Lieutenant of Hull and Chancellor of Hull University); Dr. Brynmor Jones, PH.D., SC.D. (Vice-Chancellor of Hull University); Mr. H. J. Steiger (Sheriff of Kingston-upon-Hull); Mr. C. U. Peat, M.C., F.C.A. (President of the Institute of Chartered Accountants in England and Wales); Mr. H. M. Loncaster, T.D. (President, Hull Incorporated Law Society), with many other representatives of municipal and professional bodies, commerce, finance and the Inland Revenue.

Lord Middleton, K.G., M.C., T.D., LL.D., J.P. (Lord Lieutenant of Hull and Chancellor of the University), proposing the toast of the Institute of Chartered Accountants in England and Wales, said that he knew of no profession with a higher reputation for efficiency and integrity. Chartered accountants were indispensable and too few. Theirs was a profession that demanded the strictest training and a high degree of skill.

He concluded by suggesting that members of the Society should try to persuade their younger members to follow the example set by the President of the Institute and serve in the Territorial Army. Officers were urgently needed.

Mr. C. U. Peat, M.C., F.C.A. (President of the Institute of Chartered Accountants in England and Wales), responded. He said that all—industrialists and professional men—were living in an age of rapid change. The accent was on management, which could be defined as "the organisation and control of human activity directed to specific ends." It was also the age of the expert, who could be defined as "the man who avoids small mistakes as he sweeps on to a grand fallacy." He usually surrounded himself with an aura of mysticism and concocted a strange vocabulary which the man in the street could not understand. A plague upon those false prophets! What was wanted was well-qualified chartered accountants who, with a good background and a sound foundation, could advise their clients, great or small, on how to produce or how to manage their affairs with the greatest efficiency and the least waste.

This was a period of steadily increasing integration of industrial activities. The threat of further nationalisation, direct or indirect, had receded, and, in fact, might be happily interred, but there would always be the present nationalised industries and services, and he thought that, by straightforward merger or by the technique of takeover bids, there would be an ever-growing number of powerful combines.

In all nationalised industries and services, and even in local authorities, he believed the advice of an independent accountant was essential, and without complete independence he believed the services of an accountant were of negligible value. In company audits, the battle raged on whether legally the auditor was an employee or an officer of the company; but, irrespective of the label attached to him, an auditor's services to the shareholders would be useless unless he was independent and free to express his criticisms of the accounts, without fear or favour. The freedom of the profession, and especially of the Institute, was something they had always fought for. They wanted themselves to be the judges of training and discipline and—unlike some bodies of accountants abroad—to be untrammelled by government interference or control, and he believed it was in the interests of the community that this should be so.

Sir Harold Howitt and Sir Thomas Robson had twice given evidence before the Select Committee on Nationalised Industries. They advocated that, to assist in keeping the affairs of nationalised undertakings under review, greater use should be made of the services that independent accountants were so well fitted to provide. One way in which this could be done would be for their services to be used to assist the Parliamentary Committee responsible for reviewing the nationalised industries. Another way would be to require the auditors of nationalised industries to make supplementary reports on financial matters which

would not normally be dealt with in their reports as auditors.

He gathered that possibly the advice tendered by their eminent colleagues would not be implemented. They would all be sorry if it were not. The set-up of a nationalised industry must be regarded as in many ways cumbersome, unsatisfactory and very much subject to Parkinson's law.

He believed that in an ever-increasing sphere the chartered accountant must perform a duty to the community as its impartial and independent adviser.

A more than normal tribute was due from the Council this year to District Societies. Over the last two years or so the Council had asked for a great deal of information and assistance from them before framing its decisions. This had perhaps always been evident in taxation and research discussions, but he was thinking—by way of example only—of such recent items as integration; views on education and training for the Parker Committee (involving representatives of District Societies attending at Moorgate Place for two days for oral discussion); revision of comprehensive grants to District Societies; fellowship proposals; and co-operation in placing articled clerks referred by the Institute. In conclusion he expressed gratitude also to the staff of the Institute.

Mr. K. F. Helm, F.C.A., proposing the toast of the guests, said how much the Society had enjoyed their company that evening. In responding, Mr. H. M. Loncaster, T.D. (President of the Hull Incorporated Law Society), congratulated the Society on the way the evening's programme had been drawn up as well and truly as a balance sheet.

The Handmaiden of Human Endeavour

THE LEICESTERSHIRE AND Northamptonshire Society of Chartered Accountants held its annual dinner in the Franklins Gardens Hotel, Northampton, on October 19, under the chairmanship of its President, Mr. J. B. Corrin, F.C.A. The guests included the Right Honourable The Earl Spencer, T.D., J.P. (Her Majesty's Lieutenant of the County of Northampton); the Deputy Mayor of Northampton (Councillor V. J. H. Harris, F.C.A.); the Lord Mayor of Leicester (Alderman B. Powell); Mr. C. U. Peat, M.C., F.C.A. (President of the Institute of Chartered Accountants in England and Wales); Alderman Ewart Marlow, M.C. (Chairman of the Northamptonshire County Council); Mr. A. S. Baxter, O.B.E. (President of the Northampton and County Chamber of Commerce); the Rev. John D. Richards (Vicar of All Saints, Northampton); and others representative of professional bodies and the Inland Revenue.

Alderman Ewart Marlow, M.C. (Chairman of Northamptonshire County Council), proposing the toast of the Institute of Chartered Accountants in England and Wales, quoted from the Royal Charter granted to the Institute by Queen Victoria in 1880: "The profession of Public Accountants . . . is a numerous one, and their functions are of great and increasing importance." That Charter had remained unaltered until in 1948 the Institute was granted a Supplemental Charter by King George VI. This referred to "the high standard of professional education and knowledge secured for the community and the existence of a class of persons well qualified to be employed in the responsible and difficult duties devolving on the professional accountant." It showed the high position into which the profession had grown and what it had secured for the community. This could have been done only by strict rules of conduct, professional ability and the highest moral character. Members of the investing public relied on and accepted the accountant's figures as a true statement of the affairs of the companies concerned. They accepted that the accounts were correct, that the fixed assets had had proper depreciation, that stock-in-trade was rightly calculated and that the final figures were true. They read the prospectus of share offerings and accepted the accountant's statement and invested or otherwise on this evidence.

In business, the accountant's services were being used more and more, not only for accountancy, but also for his skill in the problems of management. With the vital necessity for planned activities of companies, the accountant was called in to advise on the amount of money needed and the number of staff, selling conditions, budgetary control and ascertainment of costs. In local government, budgetary control was necessary for the spending in many departments.

He hoped they would never dilute the quality of their service for the sake of cost. Their reputation was too valuable, too priceless to cheapen. They should preserve their heritage and professional standing and remember that they had a very great responsibility in the commerce and finances of the country, because their word was accepted and trusted.

Mr. C. U. Peat, M.C., F.C.A. (President of the Institute of Chartered Accountants in England and Wales), responding to the toast, said he hoped that what he had to say would be of interest to all industrialists, who must be vitally concerned with the development of a profession which, after all, was the handmaid of all human endeavour.

He recalled that Mr. Barrows, the immediate Past President, in his speech last year, had referred to Richard Dafforne, who hailed from Northampton and published a treatise entitled *The Merchants Mirrour* in 1636.

He found that the library of the Institute also had a copy of a treatise by the same author dated 1640, entitled *The Apprentices time-entertainer accomptantly, or a methodical means to obtain the exquisite art of accomptanship*. He had not the erudition of Mr. Barrows, and must content himself with trying to see what *The Merchants Mirrour* reflected today and, if possible, tomorrow.

After the considerable administrative effort of integration with the Society, which brought membership of the Institute up to 32,000, the Council had set up two committees to study the education and training of members and all technical activities, which included research into every aspect of an accountant's work. They were aiming to produce, as a qualified chartered accountant, a man or woman who had the basic understanding of accounts, costing, management accounting and commercial law which would put him or her in the position to practise as a chartered accountant or to take up a post in industry, and, if he or she wanted to do so, to become a specialist in some department of accountancy.

He had been told that of the total industrial set-up 82 per cent. represented small industrialists, 18 per cent. the "big boys." What were to be the conditions in which these two sections of industry were going to operate? He believed they would enjoy an expanding market, but keen competition, and that there would be a tendency to increase the share of the larger industrial concerns. Two points emerged—the importance of the smaller industrialists, who very often formed the pioneering spearhead of industry, and the necessity in the larger combines for increased efficiency and for stopping the dead hand of departmental autocracy creeping into their management.

What could accountants do about these things? They must continue to audit balance sheets of clients and see that they presented a true and fair statement of the financial position. He thought the audit procedure was due for considerable modification and modernisation, but that must wait for the new Companies Act on which, he hoped, the Institute would have the chance to make important suggestions.

Chartered accountants must be trained and be prepared to advise their clients, large or small, how to produce most efficiently. The definition of production was: "To supply the goods and services needed by the community with a minimum consumption of real resources." To put it shortly, the great problem of production was the eliminating of waste. They were evolving into the industrial age of work study and management accounting, and the accountancy profession must be the handmaiden of both these comparatively modern developments.

As an Institute they were boldly facing the future. It was possible that mistakes might be made, but they had a very correct idea of their objectives and, he believed, given time, would achieve them.

Mr. J. B. Corrin, F.C.A. (President of the Leicestershire and Northamptonshire Society of Chartered Accountants) proposed the toast of the guests. The response was made by Mr. Arthur S. Baxter, O.B.E.,

B.SC. (President of the Northampton and County Chamber of Commerce).

Dinner and Dance at Bristol

THE BRISTOL AREA BRANCH of the Bristol and West of England Society of Chartered Accountants held a dinner and dance at the Grand Hotel, Bristol, on November 5.

Mr. F. J. Weeks, A.C.A., President of the Bristol and West of England Society, proposing from the chair the toast of the City and County of Bristol, welcomed the guests to what he said was generally agreed to be the finest city in England. It had a variety of industries and a vast number of products, which had carried its name into the four corners of the earth, but it was also an acknowledged centre of culture.

The Lord Mayor of Bristol (Councillor W. G. Cozens), responding, said he was glad to find at last a Bristolian saying nice things about this city of long traditions, this city of pioneers of whom they had reason to be proud. Going on to propose the toast of the Institute of Chartered Accountants in England and Wales, the Lord Mayor said that the position of the accountant had never been so important as it was to-day: the complex nature of our economy was such that the help and guidance of his trained mind was essential at every turn. The Society might well be proud of the eminence of the accountant in Britain today.

Mr. C. U. Peat, M.C., F.C.A. (President of the Institute of Chartered Accountants in England and Wales), responding to the toast, paid tribute to the beauty of Bristol and its countryside before reporting briefly on the work of the Institute, in which, he pointed out, all present must be interested because accountants entered everybody's life to-day. The steady growth of the Institute, he went on to say, was a sign of its virility .

Accountants as a profession must serve their clients or their employers in industry with the greatest efficiency; the Council of the Institute was working very hard to help all members but it in turn had the greatest need of their interest and constructive assistance.

He felt that a very special tribute was due from the Council this year to District Societies, whom it always relied on to furnish information and assistance when framing its decisions. This had perhaps always been evident in Taxation and Research discussions but he was thinking also of such recent items as integration itself; education and training (involving representatives of District Societies attending at Moorgate Place for two days for the Parker Committee discussion); revision of comprehensive grants to District Societies; fellowship proposals; co-operation in placing articled clerks.

Scottish Chartered Accountants' Dinner

AT A DINNER of the Association of Scottish Chartered Accountants in London, held at the Savoy Hotel, London, W.C.2, on November 2, Mr. C. U. Peat, M.C., F.C.A. (President of the Institute of Chartered Accountants in England and Wales), replied to the toast of the guests. Mr. Peat said: "These happy occasions attended by so many distinguished people are more than regal banquets. I believe they provide that real appreciation of one another, that confidence and sense of union, without which our joint efforts for the steady improvement of our profession must be stunted."

Other speakers were: Mr. John S. Wilson, C.A. (Chairman of the London Local Committee of the Scottish Institute), who was in the chair; the Rt. Hon. Mr. Justice Salmon, and Mr. T. Lister, C.A. (President of the Institute of Chartered Accountants of Scotland).

Irish Institute Dinner

Mr. D. McC. Watson, F.C.A., President of the Institute of Chartered Accountants in Ireland, presided at a dinner held by that Institute in Dublin on October 28. Mr. C. U. Peat, M.C., F.C.A., President of the Institute of Chartered Accountants in England and Wales, proposed the toast of the Institute of Chartered Accountants in Ireland. He referred to the friendly and constructive collaboration between the two bodies, and offered to Mr. Watson and the members of his Council the greetings and best wishes of the Council of the English Institute.

He understood that the Policy Committee of the Irish Institute was considering all aspects of future developments, and that the Education Committee had recommended major changes in the examination system, the most important being the substituting of yearly examinations for the present Intermediate and Final. This recommendation had, he believed, been accepted by the Irish Council, and he hoped to hear all about it in the near future.

The English Institute had set up an important committee to study education and training, and the system of examinations was very much under review. At a recent meeting with students, he found a strong feeling that the examinations should be spread more evenly over the period of articles, and this suggestion would have the closest attention of the Council in London.

They lived in a rapidly and violently changing world. Electronics would in the course of a few years materially change accounting systems. Competition from European countries and Russia would, he believed, become more intense, and these matters would affect accountants in Ireland in the same way as in England and Wales. He believed the future would demand a better trained and more highly skilled accountant, able to apply more intelligent checks than those at present necessary under the out-of-date Companies Act, which he saw was going to be revised by the Government. The "end product" produced as a qualified chartered accountant must be able to take his part in an industrial era of work study and management accounting. He thought it was no exaggeration to say that on the success of the sister Institutes in preparing future members to do their part in this changing industrial world would depend not only the future of the profession but also the industrial progress of their countries. He was glad to think that they were going forward together in this great adventure.

Mr. D. McC. Watson, F.C.A., President of the Irish Institute, responded.

Mr. E. C. Micks, Chairman of the General Council of the Bar of Ireland, proposed the toast "Prosperity to Ireland," and a response was made by Mr. John Lynch, T.D., Minister for Industry and Commerce.

The toast of the guests, proposed by Mr. G. E. Cameron, F.C.A., Vice-President of the Irish Institute, was acknowledged by the Lord Mayor of Dublin, Councillor P. A. Brady, M.P.S.I., T.D., P.C., and by Mr. J. E. Forde, President of the Belfast Chamber of Commerce.

Chartered Accountants' Colfing Society

THE ANNUAL MATCH against the London solicitors was played on the West Hill golf course on October 31. This is a beautiful course, and the weather was excellent.

The teams consisted of four pairs each, and eight foursome matches were played. The result was a win for the Chartered Accountants by six matches to two.

Chartered Accountants' Hockey Club

A match against members of the Law Society, played on October 14, resulted in a win for the Law Society by two goals to one.

Sir James Martin Lodge

THE INSTALLATION MEETING of the Sir James Martin Lodge (formerly the Incorporated Accountants' Lodge) was held on October 27 at Freemasons' Hall, Great Queen Street, London, W.C.2, when W. Bro. F. R.

Marshall installed his successor, Bro. A. Armitt, as W.M.

W. Bro. A. Armitt invested the following officers: Bro. F. A. Roberts, S.W.; Bro. J. W. Pirie, J.W.; W. Bro. W. J. Crafter, Treasurer; W. Bro. A. S. Darr, Secretary; W. Bro. E. J. P. Garratt, D.C.; Bro. E. A. Woods, S.D.; Bro. L. J. D. Jones, J.D., W. Bro. A. V. Hussey, A.D.C.; W. Bro. A. A. Garrett, Almoner; W. Bro. E. B. Trimmer, Asst. Secretary; Bro. E. J. Morris, I.G.; W. Bro. H. Rose, W. Bro. E. Downward, Bro. A. B. Sturgess, Bro. A. G. Hebbron, Stewards; W. Bro. A. C. Chitty, Tyler.

There were many guests present, including the W.M. of the Chartered Accountants' Lodge and the W.M. of the Semper Vigilans Lodge.

The address of the Secretary of the Lodge is 5 Forest Close, Snaresbrook, E.11.

District Societies

BEDS., BUCKS. AND HERTS. GROUP

A ONE-DAY CONFERENCE was held at Harpenden on October 19. The general theme was "The Presentation of the Accounts of Limited Companies." Addresses were given by Mr. C. W. Aston, A.C.A., and Mr. G. A. Cherry, A.C.A.

Branch Status

The President of the Institute, Mr. C. U. Peat, M.C., F.C.A., will inaugurate the Beds., Bucks. and Herts. Branch of the District Society at a luncheon meeting at the George Hotel, Luton, at 12.30 for 12.50 p.m. on December 9.

A Group to cover members in the three counties was formed in 1958. A "group" is an informal association not officially recognised by the Council, whereas the views of District Societies and of their Branches are invited by the Council on many matters of policy.

Any member in the area who has not received a notice is asked to write to the Hon. Group Secretary, Mr. E. John Frary, A.C.A., 26 Victoria Street, Luton.

LEEDS, BRADFORD AND DISTRICT

THE ANNUAL GOLF Meeting was held at Ganton Golf Club on October 2, and was attended by forty-four members. The competition for the Blackburn Cup, played under handicap on the Stableford system, was won by Mr. Sidney Jones with a score of 38 points. In addition this year the Holliday Cup, formerly played for by the Yorkshire Society of Incorporated Accountants, was awarded to the player with the best gross score. This also was won by Mr. Jones with a good return of 77.

In the unavoidable absence of the President of the Society, Mr. H. L. Simpson, the cups were presented to the winner by Mr. C. W. Boyce, a past president, who had taken part in the competition.

SOUTH EASTERN

Students' Residential Course

THE TENTH STUDENTS' residential course arranged by the South Eastern Society of Chartered Accountants was held at the Royal Pavilion, Brighton, from September 21 to 25 (Intermediate) and October 5 to 9 (Final). The total attendance was 140, mainly from Students' Societies within the Society's area—Kent, Sussex, Hampshire and parts of Wiltshire and Dorset. Several students journeyed from the Channel Islands, and a number came from London.

The course was introduced by Mr. G. W. Davies, F.C.A., a Vice-President of the Society. On each of the Thursday evenings Mr. W. E. Hunter, M.B.E., F.C.A., President of the Society, took the chair at a dinner. On each occasion the principal speaker was a member of the Council of the Institute—Mr. J. A. Jackson, F.C.A., at the Intermediate course dinner and Mr. J. E. Talbot, F.C.A., at the Final.

The high quality of all the lectures and discussions was fully appreciated by the students, who found it immensely beneficial to be able thus to supplement their normal studies and professional work. It is felt that larger numbers will wish to attend future courses, and it is hoped that their attendance will again be facilitated by the willing co-operation of their principals.

SOUTHEND-ON-SEA GROUP

AT THE TWELFTH annual general meeting of the Group held last month at Westcliff-on-Sea, the chair was taken by Mr. A. J. Wilson, F.C.A. The following officers were elected: Chairman, Mr. H. E. Hassell, F.C.A.; Vice-Chairman, Mr. J. Kennedy Melling, A.C.A.; Hon. Secretary, Mr. A. A. Stewart, A.C.A.; Hon. Treasurer, Mr. K. W. Kyle, F.C.A.; Hon. Press Officer, Mr. M. A. Wren, A.C.A.; Committee, Mr. L. W. Free, F.C.A., and Mr. E. Walley, A.C.A.

A discussion followed on arrangements for an all-day Taxation Conference to be sponsored by the Group, and for a series of lectures for articled clerks.

Students' Society of London

News from the Committee

Examination Results

OF THE SUCCESSFUL candidates in the May Institute examinations, 190 out of 512 in the Final and 342 out of 762 in the Intermediate were members of this Society. The prizes awarded by the Society are as follows:

Final—Lord Plender Prizes: W. K. Ng, P. M. Burnham, R. A. Duparc, D. Hartley. Sir Harold Howitt Prize: P. M. Burnham.

Intermediate—Lord Plender Prizes: A. W. Davies, R. A. May, P. N. Smith, D. E. Philpot. Edith Sendell Prizes: J. P. Dornton, A. J. D. Ferguson, A. C. Langridge, D. L. Tucker, P. S. Clutterbuck.

Social

The annual dinner is being held at Grosvenor House on December 14 and the Christmas dance at the Royal Festival Hall on December 18.

Meetings

The mock company meeting, held in the Chartered Insurance Hall on November 9, took the form of the annual general meeting of a company manufacturing motor cars for British and American markets.

The Senior Residential Course at Balliol College, Oxford, was attended by 204 students. The lectures were fully appreciated and aroused lively discussion.

About 800 attended the President's Meeting in Guildhall to hear Lord Montgomery's address.

Sports

The cricket match against the Solicitors' Articled Clerks was drawn.

Play Reading Group

The group met at Westfield College on October 21 and read *Hotel Paradiso*. New members are always welcome, and anyone interested should contact Miss Hattley through the Library.

Students' Supper

Another in the very successful series of suppers will be held at St. Paul's Tavern, Chiswell Street, E.C.2, on November 26 at 6.30 p.m. Tickets may be obtained from Mr. Carter at a cost of 9s.

Forthcoming Events

BIRMINGHAM

Members' Meetings

December 1.—"Effects of the National Pension Scheme on Occupational Pension Schemes," by Mr. W. H. Clough, F.I.A. Queens Hotel, at 6 p.m.

December 15.—"Surtax and Companies," by Mr. J. R. Mead, J.P., F.C.A., and "Some Practical Aspects of Estate Duty," by Mr. B. G. Rose, F.C.A. One-day conference. University of Birmingham.

Students' Meetings

November 24.—"Accountancy in Industry," by Mr. C. F. Howell, F.C.W.A. Joint lecture arranged by the Institute of Cost and Works Accountants, Birmingham, and Birmingham Students' Society. Imperial Hotel, Temple Street, at 6.30 p.m.

December 1.—"Costing as a Career," by Mr. H. H. Norcross, F.C.W.A. The Library, 36 Cannon Street, at 6 p.m.

December 15.—"That there is too much freedom of the Press to-day." Debate with the Law Students' Society. The Law Library, 8 Temple Street.

December 2.—Visit to the Birmingham Stock Exchange.

BOLTON

November 26.—Annual Dinner of the Bolton Branch. Pack Horse Hotel, at 7 for 7.30 p.m.

BOURNEMOUTH

December 3.—Members' meeting. Devonshire Hotel, at 6 p.m.

BRADFORD

Members' Meeting

November 27.—Luncheon meeting of Leeds, Bradford and District Society. Victoria Hotel, at 12.45 for 1 p.m.

Students' Meetings

December 10.—President's meeting for newly-articled clerks, Midland Hotel, at 5 p.m., followed by lecture and film show on "The General Principles of Punched Card Accounting," by International Computers and Tabulators Ltd., at 6.15 p.m.

BRIGHTON

Students' Meetings

To be held, unless otherwise indicated, in Conference Room 3, Royal Pavilion, at 10.15 a.m.

November 18.—Coach visit to Crawley New Town and the A.P.V. Company Ltd.

November 21.—"Auditing—Verification of Assets and Liabilities," by Mr. R. Glynne Williams, F.C.A.

November 28.—"Some Taxation Complexities," by Mr. D. B. Evans, A.C.A.

December 5.—"History and Machinery at Lloyd's," by Mr. A. C. Dabbs, F.S.A.

December 11.—"Standard Costing" and "Branch Accounts," by Mr. V. S. Hockley, B.COM., C.A., preceded by buffet meal. King and Queen Hotel, Marlborough Place, at 5.45 for 6 p.m.

BRISTOL

November 26.—Members' meeting with H.M. Inspector of Taxes. Assize Courts Hotel, Small Street, at 6.30 p.m.

CHESTERFIELD

November 24.—Members' Luncheon. Hotel Portland, at 12.30 for 1 p.m.

COVENTRY

December 14.—Members' meeting. Speaker, Captain N. J. Thurston, Secretary of the Coventry Cathedral Reconstruction Committee. The Chace Hotel.

Students' Meetings

Meetings will be held at the Wine Lodge Hotel, The Burges, at 6 p.m.

November 30.—"The Stock Exchange," by Mr. C. R. Curtis, M.SC., PH.D., F.C.I.S.

December 14.—"Takeover Bids," by Mr. K. S. Carmichael, A.C.A.

DERBY

Students' Meetings

November 24.—"Rights and Duties of Executors and Trustees," by Mr. K. Gregory, LL.B.

December 15.—"Finance—Capital Structure of Companies" and "Amalgamations and Reconstructions," by Mr. V. S. Hockley, B.COM., C.A., A.A.C.C.A.

EASTBOURNE

Students' Meetings

November 18.—Coach visit to Crawley New Town and the A.P.V. Company Ltd.

November 25.—Visit to the Star Brewery Company Limited, the Company's Secretary to deal with questions on accounting.

November 28.—"Consolidated Accounts," by Mr. F. Gearing, A.C.A. Civil Defence Hall, Furness Road, at 10.30 a.m.

December 12.—"Recent Developments in Calculators and Computers," by Mr. F. W. Purchall (International Computers and Tabulators Ltd.). Civil Defence Hall, Furness Road, at 10.30 a.m.

EXETER

Members' Meeting

November 19.—"Work Study in the Office," by Mr. A. E. Williams. The Imperial Hotel, at 6.15 p.m.

Students' Meetings

November 19.—"Work Study in the Office," by Mr. A. E. Williams. Students' meeting. Imperial Hotel, at 2.30 p.m.

November 26.—Students' visit to the Western Counties Brick Co. Ltd., Rougemont Brickworks. Limited number.

GRIMSBY

Students' Meetings

To be held at the Grimsby Conservative Club, 35 Bargate.

November 19.—"Executorship Accounts" and "Equitable Apportionments," by Mr. E. Edwards, M.B.E., A.A.C.C.A. At 4 p.m. and 7 p.m.

December 10.—"Schedule A Maintenance Claims and Excess Rents," by Mr. W. S. Warrs, A.C.A. At 7.30 p.m.

HULL

December 11.—Students' "Do It Yourself" evening. Imperial Hotel, Paragon Street, at 6.15 p.m.

IPSWICH

December 1.—Students' visit to Cliff Quay Power Station. Cliff Quay, at 7 p.m.

KETTERING

December 2.—"Sections 46 and 55, Finance Act, 1940," by Mr. P. T. M. Wilton. Students' meeting, arranged in conjunction with the Kettering Accountancy Discussion Group. At the office of Messrs. Cattell and Chater, High Street, at 5.45 p.m.

KINGSTON-ON-THAMES

December 7.—Meeting of South West London Discussion Group. The Kingston Hotel, Wood Street, at 6.45 p.m.

LEEDS

December 8.—"Work Study in the Office," by Mr. N. H. Wigginton. Members' meeting. Leeds and County Conservative Club, at 6.15 p.m.

December 18.—Luncheon meeting of Leeds, Bradford and District Society. Queens Hotel, at 12.45 for 1 p.m.

LEICESTER

Students' Meetings

All meetings will take place at the Bell Hotel.

October 23.—"Dig Those Crazy Unit Trusts," by Mr. M. J. Cufflin. At 6 p.m.

October 30.—"The Financial Column of *The Times* and the Weekly Statement of the Bank of England," by Mr. C. R. Curtis, F.C.I.S. At 6 p.m.

November 6.—"Executorship Accounts," by Mr. R. Glynne Williams, F.C.A., F.T.I.I. Double lecture. At 4.45 p.m. and 6.20 p.m.

December 4.—"Incomplete Records," by Mr. C. L. Wykes, F.C.A. At 6 p.m.

December 18.—"Company Law" and "Mercantile Law," by Mr. R. D. Penfold, B.COM. At 4.45 p.m. and 6.20 p.m.

LINCOLN

December 2.—"Standard Costing and Budgetary Control," by Mr. V. S. Hockley, B.COM., C.A., A.A.C.C.A. Students' meeting. Great Northern Hotel, High Street, at 5.45 p.m.

LIVERPOOL

Members' Function and Meeting

November 27.—Annual dinner of the Liverpool Society. Adelphi Hotel, at 7 for 7.30 p.m.

December 15.—"Industrial Finance," by Mr. G. M. D. Drummond, A.C.A., Northern Area Manager of the I.C.F.C. The Library, 5 Fenwick Street, at 5.30 p.m.

Students' Meetings

To be held in The Library, 5 Fenwick Street.

November 27.—Address by the President of the Institute. At 4 p.m.

December 3.—"The Role of the Management Consultant," by Mr. K. B. Glassby. At 5 p.m.

December 10.—"Accountancy in Industry," by Mr. C. J. Peyton, A.C.A. At 5 p.m.

LONDON

Members' Meetings

November 18.—Meeting of the North London Discussion Group. Russell Hotel, W.C.1, at 6.30 p.m.

November 25.—Meeting of Management Discussion Group. Samson, Clark & Co. Ltd., 57 Mortimer Street, W.1, at 6 p.m.

December 2.—Meeting of Taxation Discussion Group. The Cheshire Cheese, 10 Surrey Street, W.C.2, at 6 for 6.15 p.m.

December 7.—Meeting of South-West London Discussion Group. The Kingston Hotel, Wood Street, Kingston-on-Thames, at 6.45 p.m.

December 9.—"Company Reports from the Director's Point of View," by Sir Halford Reddish, F.C.A. The Institute, at 6 p.m.

December 9.—Meeting of City Discussion Group. The Cock and Bottle, Laurence Pountney Hill, Cannon Street, E.C.4, at 6 for 6.30 p.m.

December 10.—Meeting of Central London

Discussion Group. The Lamb and Flag, 33 Rose Street, Covent Garden, W.C.2, at 6.30 p.m.

December 16.—Meeting of North London Discussion Group. Russell Hotel, W.C.1, at 6.30 p.m.

December 23.—Meeting of Management Discussion Group. Samson, Clark & Co. Ltd., 57 Mortimer Street, W.1, at 6 p.m.

Students' Meetings

November 19.—"Bankruptcy, Liquidation and Receivership," by Mr. A. C. Staples. Introductory Course lecture for newly-articled clerks. The Oak Hall of the Institute, at 5.15 p.m.

November 20.—"Income Tax—General Introduction," by Mr. J. Kennedy Melling, A.C.A., A.T.I.I., F.R.ECON.S., and "The Law of Agreements and Damages," by Mr. A. C. Staples. Introductory Course lectures for newly-articled clerks. The Oak Hall of the Institute, at 5.15 p.m.

November 23.—"The Evolution of Common Law and Equity," by Mr. Peter Shier, Barrister-at-Law. Oak Hall of the Institute, at 5.30 p.m.

November 24.—"This house declines to look before it leaps." Speakers' Course practice debate, with summary and individual comments by Miss H. M. Taylor. The Council Chamber of the Institute, at 5.30 p.m.

November 26.—"Taxable Income," by Mr. J. Kennedy Melling, A.C.A., A.T.I.I., F.R.ECON.S., and "The Law of Sale of Goods," by Mr. A. C. Staples. Introductory Course lectures for newly-articled clerks. The Oak Hall of the Institute, at 5.15 p.m.

November 30.—"Where the Companies Act Fails," by Mr. Hugh T. Nicholson, F.C.A. Oak Hall of the Institute, at 5.30 p.m.

December 2.—"This house believes that in nursery rhymes lies the corruption of the young." Speakers' course informal dinner and debate with Westfield College, University of London. St. Paul's Tavern, Chiswell Street, E.C.2, at 5.45 for 6.15 p.m.

December 11.—Conference in London of Union of Chartered Accountant Student Societies.

December 14.—Annual Dinner of the London Students' Society. Grosvenor House, Park Lane, W.1, at 6.30 for 7 p.m.

December 18.—Christmas Dance of the London Students' Society.

LUTON

December 9.—Luncheon meeting to inaugurate the Beds., Bucks. and Herts. Branch of the London and District Society. George Hotel, at 12.30 for 12.50 p.m.

LYTHAM

December 23.—Preston Students' Dinner Dance, arranged in conjunction with the Law Society. The Clifton Arms.

MAIDSTONE

Students' all-day lecture meeting at the Y.M.C.A. Hall, Union Street.

December 2.—Lecture by Mr. R. W. Smith, O.B.E., T.D., F.C.A., at 11 a.m. "Taxation Losses," "Partnership Accounts," "Equitable Apportionments," by Mr. D. Rich, A.C.A., at 2 p.m., 3.15 p.m. and 4.30 p.m.

MANCHESTER

Members' Meetings and Function

November 19.—Annual Dinner of Manchester Society. The Alexandra Suite, Midland Hotel, at 6.30 for 7 p.m.

December 7.—"Helping Management to Help Itself," by Mr. C. Bostock, M.A., F.C.A. Evening meeting.

December 14.—"Modern Pension Scheme Practice," by Mr. P. S. Lambert, F.C.I.B., A.C.I.I. Members' luncheon meeting. The Board Room, 46 Fountain Street, at 12.45 p.m.

Students' Meetings

In addition to the students' lectures set out below, the following series of lectures arranged by the Joint Tuition Committee will be held at the Chartered Accountants' Hall, 46 Fountain Street, at 9.30 a.m. and 11 a.m.:

Preparatory lectures (lecturers, Mr. C. Yates, F.C.A.; Mr. J. C. F. Bolton, B.A.COM., A.C.A.; Mr. H. B. Vanstone, F.C.A.; Miss M. A. T. Hodge, B.A., F.C.A.; Mr. J. C. Wood, LL.M.) on November 21 and 28, December 5, 12 and 19.

Final lectures (lecturers, Mr. R. Y. Taylor, B.A., A.C.A.; Mr. G. Vaughan Davies, M.A.; Mr. C. C. Hunt, Senior Inspector of Taxes) on November 21 and 28, December 5, 12 and 19.

Students' meetings held at the Chartered Accountants' Hall, 46 Fountain Street, at 6 p.m., unless otherwise indicated.

November 19.—Visit to Wilson's Brewery Ltd., Newton Heath. Assemble at 46 Fountain Street, at 2 p.m.

November 26.—"Executorship in Practice," by Mr. D. C. Davies, LL.B., A.I.B.

December 2.—Visit to Thomas Hedley & Co. Ltd., Trafford Park. Assemble at 46 Fountain Street, at 2 p.m.

December 3.—"Arranging the Insurances of an Industrial Enterprise—(1) Fire and Loss of Profits Insurance," by Mr. P. F. Shimmin, F.C.I.I.

December 10.—"Arranging the Insurances of an Industrial Enterprise—(2) Other Classes of Insurance, including Life Assurance and Pension Schemes," by Mr. R. G. Crook, A.C.I.I., A.M.C.I.B.

December 17.—"Road Safety," by Chief Inspector F. White (Manchester City Police Traffic Patrol).

NEWCASTLE UPON TYNE

Students' Meetings

To be held at Y.M.C.A., Blackett Street, at 6 p.m., unless otherwise indicated.

November 26.—"Personal Assessments (including Surtax)," by Mr. R. Rickaby, F.C.A.

December 10.—"Law and Procedure at Meetings," by Mr. N. Calvert, LL.B.

December 18.—Students' Annual Ball. Gosforth Rugby Football Clubhouse.

NEWQUAY

December 3.—Annual Dinner of Cornwall and Plymouth Branch. Hotel Bristol.

NORTHAMPTON

December 3.—"Investigations and Report Writing," by Mr. A. L. Peatman. Students' meeting. Wedgewood Café, at 6 p.m.

NOTTINGHAM

December 3.—"Standard Costing for the Medium Sized Concern," by Mr. P. N. Wallis, A.C.A., A.C.I.S. Members' luncheon meeting. Welbeck Hotel, at 12.30 for 1 p.m.

Students' Meetings

To be held in the Ballroom, the Elite Cinema, Parliament Street, unless otherwise indicated.

November 18.—"Branch Accounts" and "Consolidated Accounts," by Mr. V. S. Hockley, B.COM., C.A., A.A.C.C.A. At 4 p.m.

November 25.—"Income Tax Losses," by Mr. J. G. S. Abbott. At 5.30 p.m.

December 2.—"The Law of Contract," by Mr. G. H. Hingston, B.COM., LL.B., Barrister-at-Law. At 5.30 p.m.

December 15.—Students' Annual Dinner. Daybrook House.

OXFORD

December 1.—"Pensions and Pension Funds," by Mr. T. A. Hamilton-Baynes, M.A., F.C.A. Members' meeting. Royal Oxford Hotel, at 6 p.m.

Students' Meetings

December 3.—Students' visit to the factory of Electric and Musical Industries Ltd., Hayes.

December 17.—"The Accounting Requirements of the Companies Act, 1948," by Mr. R. Glynne Williams, F.C.A., F.T.I.I. The Kemp Restaurant, Broad Street, at 6.30 p.m.

PETERBOROUGH

December 16.—"Finance Companies," by Mr. J. C. Welch, F.C.A. Students' meeting. The Bull Hotel, at 6.45 p.m.

PORTSMOUTH

Students' Meetings

To be held at the Conference Room, Electricity House, High Street, at 6.30 p.m.

December 1.—"Executorship," by Mr. R. Glynne Williams, F.C.A., F.T.I.I.

December 15.—"Mercantile Law," by Mr. R. D. Penfold, LL.B.

PRESTON

Students' Meetings

In addition to the students' lectures set out below, the following series of lectures arranged by the Manchester Joint Tuition Committee will be held at the Masonic Hall, Saul Street, off Lancaster Road, at 10 a.m. and 11.15 a.m.:

Final lectures (lecturers, Mr. C. C. Hunt, Senior Inspector of Taxes: Mr. R. Y. Taylor, B.A., A.C.A.; Mr. G. Vaughan Davies, M.A.) on November 21 and 28, December 5, 12 and 19.

November 25.—Visit to Renold Chains Ltd., Didsbury, Manchester, 20. At 2.15 p.m.
December 23.—Dinner Dance, arranged in conjunction with the Law Society. The Clifton Arms, Lytham.

RYDE
November 23.—"Income Tax—Schedule D and Personal Computations," by Mr. K. S. Carmichael, A.C.A. Students' meeting. Spencer's Inn, at 5.30 p.m.

SHEFFIELD
Members' Meeting
December 10.—"CARBS" and "CAESS" by Mr. R. Bangent of Bacon and Woodrow, Secretaries of the Chartered Accountants Retirement Benefits Scheme. Grand Hotel, at 5.45 p.m.

Students' Meetings and Function
November 20.—"This house thinks it is time that accountants ceased to steal a proportion of the solicitors' work." Joint Debate with the Law Students' Society. The Grand Hotel, at 5.30 p.m.
December 2.—Visit to John Smith's Brewery, Tadcaster. Depart City Hall at 5 p.m.
December 11.—"Company Law," by Mr. J. F. Myers, M.A., LL.B., Barrister-at-Law. The Grand Hotel, at 5.30 p.m.
December 16.—Christmas Party. The Brincliffe Hall, at 7.30 p.m.

STOCKTON
Students' Meetings
To be held at the Black Lion Hotel at 6.15 p.m.
November 24.—"Punched Card Accounting and Electronics," by International Computers and Tabulators Ltd.
December 10.—"Auditing—Practical Difficulties," by Mr. G. Tattersall-Walker, A.C.A.

SWANSEA
Students' Meetings and Function
November 27.—"Ths History and Machinery of Lloyds," by Mr. A. C. Dabbs, F.C.A. Lovells's Cafe, at 5.10 p.m.
December 16.—Students' annual dinner-dance. Osborne Hotel, Mumbles.
December 18.—"Branch Accounts and Stock Control" and "Modern Developments in Accounting," by Mr. R. G. Williams, F.C.A. Lovell's Café, at 5.10 p.m.

TORQUAY
Students' Meetings
December 1.—"The relationship between the Inspector and the Accountant and the Client," by Mr. T. F. Shea. Students' meeting. Y.M.C.A., off Castle Circus, at 2.30 p.m.
December 10.—"The Role of the Accountant in Industry," by Mr. R. C. Martin. Students' meeting. Y.M.C.A., off Castle Circus, at 2.30 p.m.

WOLVERHAMPTON
Members' Function and Meeting
November 27.—Annual Dinner Dance. Victoria Hotel, at 7.30 p.m.
December 14.—"A Practising Accountant's Views on Management Accounting," by Mr. C. C. Taylor, J.P., F.C.A.

Students' Meeting
December 9.—"Present Economical Situation of Great Britain," by Mr. J. H. Richards, M.A., B.SC. Victoria Hotel, at 6 p.m.

YORK
December 9.—Members' luncheon meeting. De Grey Room, at 1 p.m.

Personal Notes

Messrs. John Stubbs, Parkin & Co., Chartered Accountants, Liverpool and Market Drayton, announce that they have admitted into partnership Mr. Timothy Robertson, A.C.A., A.A.C.C.A. The style of the firm is unchanged.

Messrs. Thomas L. Theobald & Son, Chartered Accountants, London, W.C.2, announce that Mr. T. J. Theobald, A.C.A., has retired from the firm, but continues to be available in a consultative capacity. Mr. H. V. Alderslade, A.C.A., has been admitted to the partnership. The style of the firm remains unchanged.

Mr. R. Lubbock, A.S.A.A., A.I.M.T.A., has been appointed City Treasurer of Portsmouth.

Messrs. Pannel, Crewdson & Hardy, Chartered Accountants, announce that they have opened an office at 27 Garrison Street, Private post bag, Freetown, Sierra Leone, with Mr. Terence A. G. Dendy, A.C.A., as resident manager.

Messrs Williams, Stoker & Co., Chartered Accountants, London, W.C.1, and Paris, announce that Mr. C. A. Worssam, O.B.E., F.C.A., has retired from the firm after being in practice for forty-five years. It is regretted that the name of the firm was given incorrectly in our last issue.

Messrs. Barton, Mayhew & Co., Chartered Accountants (Australian firm), announce that they have opened offices at Dalton House, 115 Pitt Street, Sydney, New South Wales, and at Melbourne, Adelaide and Brisbane.

Mr. John F. Mossop, A.C.A., and Mr. John A. Wood, A.C.A., announce that they have commenced to practise under the style of Mossop, Wood & Co., Chartered Accountants, at 24 Bank Street, Carlisle.

Messrs. J. Fooks & Sons, Chartered Accountants, Cardiff, have admitted to partnership Mr. J. A. Fooks, M.A., A.C.A. He is the son of Mr. William J. Fooks, F.C.A., and served his articles with the firm.

Mr. E. Sinnott, F.S.A.A., F.I.M.T.A., has been appointed by the Minister of Power to be a member of the South-Eastern Electricity Board, while continuing to serve as a full-time officer.

Mr. C. S. Hadfield, A.C.A., is now group controller of the Royal Dutch/Shell group of companies. Mr. S. R. Harding, A.C.A., is deputy group controller, and Mr. H. V. G. Upton, A.C.A., deputy treasurer. These appointments follow on a recent reorganisation.

Messrs. Passer, Miller & Co., Chartered Accountants, London, W.1, announce that they have admitted into partnership Mr. Julian G. Pannaman, A.C.A. The style of the firm is unchanged.

Removals

Messrs. McClelland, Moores & Co., Chartered Accountants, announce that their offices in Glasgow are now at 112 West George Street, Glasgow, C2, and 37 Renfield Street, Glasgow, C.2.

Cooper Brothers & Co. and Coopers & Lybrand announce that from November 23, 1959, their address in London will be Abacus House, 33 Gutter Lane, Cheapside, E.C.2 The practice of Cooper Brothers & Co. was begun in George Street, Mansion House, in 1854. The firms' present premises there and elsewhere in London are all being closed.

Messrs. R. J. Eveleigh & Co., Chartered Accountants, have changed their address to 14 Grand Parade, Brighton.

Classified Advertisements

Advertisements under "Appointments Vacant", "Practices & Partnerships", "Appointments Required", "Articled Clerks"—eightpence per word. Under "Official Notices", "Miscellaneous" and other headings—one shilling per word. Box numbers—five shillings extra (including the five words in the advertisement). Semi-displayed panels—£4 per column inch. All terms prepaid. Replies to Box Number advertisements should be addressed Box No. . . . c/o ACCOUNTANCY, *23 Essex Street, London, W.C.2, unless otherwise stated. It is requested that the Box Number be also placed at the bottom left-hand corner of the envelope.*

APPOINTMENTS REGISTER OF THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Employers who have vacancies for members on their staffs and also members seeking new appointments are invited to make use of the facilities provided by the Institute's Appointments Register. No fees are payable. All enquiries should be addressed to the Appointments Officer, Moorgate Place, London, E.C.2. Tel. Monarch 8506.

APPOINTMENTS VACANT

UNIVERSITY OF THE WITWATERSRAND, JOHANNESBURG
DEPARTMENT OF ACCOUNTING
SENIOR LECTURER

Applications are invited for the post of Senior Lecturer in Accounting.

The Department provides full-time and part-time courses for the Degree of Bachelor of Commerce and part-time courses for clerks articled to accountants.

The successful applicant will be required to assist in the general work of the Department, to lecture in accounting and auditing subjects and to assist in research. Private practice on a limited scale will be permitted, subject to the University regulations and provided it is not allowed to interfere with University duties.

Applicants must be professionally qualified. Extensive practical experience, teaching experience, a university degree and ability to lecture in specialised accounting subjects will be considered additional recommendations.

The salary attached to the post is £1,590×£60—£2,010. A higher initial salary may be paid on the grounds of special qualifications or experience. It is very probable that the salary will be supplemented by a non-pensionable amount of £100 per annum subject to annual review. The appointment is subject to two years' probation in the first instance.

Membership of the University Institutions Provident Fund is compulsory and involves a 7% contribution from salary, an equal amount being contributed by the Government and University together. Membership of the Staff Medical Aid Fund is compulsory for those who are eligible for such membership.

Duties are to be assumed on 1st February, 1960, or as soon as possible thereafter.

Applicants are advised to obtain a copy of the information sheet from the Secretary, ASSOCIATION OF UNIVERSITIES OF THE BRITISH COMMONWEALTH, 36 Gordon Square, London, W.C.1.

Applications close, in South Africa and London, on *15th December, 1959.*

UNIVERSITY OF CAPE TOWN
SENIOR LECTURER IN ACCOUNTING

Applications are invited for a vacant senior lectureship in Accounting.

The salary scale is £1,760×£60—£2,060 per annum. An additional grant of £100 per annum is at present paid by the Public Accountants and Auditors Board. Applicants should indicate the earliest date upon which they would be able to assume duty.

The successful applicant will be required to conduct lectures and classes for the degree of B.Com. and for the Certificate in the Theory of Accountancy for candidate accountants. He will be required to participate in (*a*) tuition, in particular for advanced Auditing and tutorial work relating thereto, and (*b*) research, in particular in problems relating to the Accountancy profession, and the development of Accounting theory.

Applications (with copies of testimonials) should state age, qualifications (in Accounting and Economics), experience and research work completed or in progress, and give the names of two referees whom the University may consult. Two copies of the application should be sent to the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1 (from whom memoranda giving the general conditions of appointment, information concerning the department and duties should be obtained) not later than *15th December, 1959.* A third copy of the application should be sent by airmail to the Registrar, UNIVERSITY OF CAPE TOWN, Private Bag. Rondebosch, C.P., South Africa, by the same date.

The University reserves the right to appoint a person other than one of the applicants or to make no appointment.

GOVERNMENT OF THE EASTERN REGION OF NIGERIA

Revenue Inspector, Ministry of Finance

Terms of appointment: Contract for two tours (12-24 months) in the first instance with gratuity on satisfactory completion of engagement. Emoluments in the scale of £960 to £1,674 a year. Free passages, generous leave. Taxation at local rates.

Duties: Computation of incomes, assessment and collection of tax; examination of accounts, etc. General administration of an out-station Tax Officer.

Qualifications:

(*a*) A recognised Accountancy qualification
or
(*b*) Final examination of the Chartered Institute of Secretaries
or
(*c*) A University Degree in Economics or Laws
or
(*d*) A Call to the Bar.

Age limits: 25 to 55 years.

Further particulars and application form from Director of Recruitment, COLONIAL OFFICE, S.W.1, quoting BCD 123/411/01/P5. Applicants should state their full name.

ASSISTANT COST ACCOUNTANT

McVitie & Price Ltd.

invite applications for a new post of Assistant Cost Accountant at their Harlesden factory.

Applicants must either:

(*a*) be members of the Institute of Cost and Works Accountants;

or

(*b*) hold a professional accounting qualification and have passed the final examination or the Management Accounting Fellowship examination of the I.C.W.A.

Experience of costing in a manufacturing company is essential, preferably in relation to standard costing in a process industry.

There are excellent prospects attached to this post for a young man who wishes to participate in developing a system of a standard costing and budgetary control. Applicants below 30 years of age only can be considered.

A commencing salary in the range of £800 to £1,100 per annum is envisaged depending on age and experience. A generous pension scheme is in operation.

Apply in strict confidence to:

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CHARTERED ACCOUNTANT required by City firm of Chartered Accountants. Salary up to £1,250 per annum according to age and experience. Please apply in writing to Box 3415, FROST-SMITH ADVERTISING, 64 Finsbury Pavement, London, E.C.2.

CHARTERED ACCOUNTANTS, W.1 district, varied practice, require Senior and Semi-Senior Audit Clerks. 5-day week. Pension Scheme. Write stating age, experience and salary required to Box No. 256, c/o ACCOUNTANCY.

CITY CHARTERED ACCOUNTANTS with varied practice require experienced Clerks capable of working on own initiative, including preparation of final accounts. Five-day week. Commencing salary up to £1,000 dependent on experience. Please apply NOTIST, 124 Chancery Lane, W.C.2.

CITY FIRM of Chartered Accountants requires an experienced and qualified COST ACCOUNTANT for permanent employment on special consultancy matters. Commencing salary £1,200-£1,400. Write, in confidence, giving full details of education, age, experience and qualifications to Box No. 257, c/o ACCOUNTANCY.

COMMERCIAL ACCOUNTANTS. One or more vacancies exist for Accountants, men or women, preferably with a recognised qualification who wish to make a career in commerce. Age 25 to 30 and salary £750 to £1,000. Based on London, in the first instance, but advancement may require service in the provinces. Write giving full details of previous experience to Box AY639 LPE, ROMANO HOUSE, 399/401 Strand, London, W.C.2.

LONDON CHARTERED ACCOUNTANTS require newly qualified Accountant. No Saturdays. Pension Scheme available. Write Box No. 233, c/o ACCOUNTANCY.

NIGERIA.—Cassleton Elliott & Co. require for associated firm in West Africa, experienced Qualified Accountant or Secretary to take charge of Secretarial Department. Eighteen months' tours, with generous leave; free furnished accommodation. Provident Fund. Outfit allowance. Passages provided. Low Income Tax. Salary for required experience £2,000 per annum. Write: 4/6 Throgmorton Avenue, E.C.2.

LARGE CITY FIRM of Chartered Accountants has vacancies for qualified accountants. Good experience and salary, five-day week, pension fund. Box No. 204, c/o ACCOUNTANCY.

OF INTEREST to those who have recently qualified as Chartered Accountants. Assistant to Company Secretary required by a progressive Manufacturing Company in Speke. This position offers considerable scope. Salary £725 p.a. Box X.28, LEE & NIGHTINGALE, Liverpool.

OXFORD FIRM of Chartered Accountants have a vacancy for a Senior Audit Assistant. Accommodation available for suitable applicant who has had varied experience in small and medium sized jobs. Apply, stating age. experience and salary required, to CRITCHLEY, WARD AND PIGOTT, Chartered Accountants, Boswell House, 1-5 Broad Street, Oxford.

PEAT, MARWICK, MITCHELL & CO., 11 Ironmonger Lane, London, E.C.2, have vacancies in their London office for young Chartered Accountants who wish to widen their experience in all branches of accountancy. Excellent prospects, good starting salary, pension scheme. Opportunities for service overseas. Applications to 11 Ironmonger Lane, E.C.2.

PRICE WATERHOUSE AND CO. have vacancies for young qualified accountants who wish to acquire a wide and varied experience. Good starting salary and excellent prospects. Opportunities to transfer abroad in due course. Write to 3 Fredericks Place. Old Jewry, London, E.C.2.

PROFESSIONAL ORGANISATION requires male Assistant Secretary. Applicant should hold recognised secretarial and/or legal and/or accountancy diploma. Successful candidate may ultimately succeed to the secretaryship of the organisation concerned. Salary in the first instance £750 rising to £1,000 per annum and contributory superannuation scheme. Previous experience will be taken into consideration in determining the commencing salary of the successful candidate. Write enclosing copies of references, giving full details experience and qualifications. Box No. 255, c/o ACCOUNTANCY.

PROGRESSIVE POSITIONS are available to suitable applicants for vacancies on the SENIOR AUDIT STAFF of an expanding City firm of Chartered Accountants with international connections. Commencing salary up to £1,000 per annum. Opportunity for overseas service. Please send full details to Box AY391, c/o 191 Gresham House, E.C.2.

RHODESIA

International Firm of Accountants require immediately for their BULAWAYO Office a Chartered Accountant, preferably with 2 to 3 years' experience since qualifying. Three-year contract, starting salary £1,500 p.a., annual bonus. Please write with particulars of age, education, experience and examination record, to Box No. 258, c/o ACCOUNTANCY.

SEMI-SENIOR AUDIT CLERK required by City firm of Chartered Accountants. Salary up to £800 per annum according to age and experience. Please apply in writing to Box 3418, FROST-SMITH ADVERTISING, 64 Finsbury Pavement, London, E.C.2.

SENIOR ACCOUNTANT for London office of a new Shipping Line with Head Office overseas. The applicant should be 30-35 years of age, preferably holding a recognised Accountancy certificate. Unqualified applicants with an extensive knowledge of modern accounting techniques and administrative ability will be considered. The initial salary would depend on age, qualifications and experience but would not be less than £1,200. Write Box D135, c/o JACKSON'S, 54 Old Broad Street, E.C.2.

TAX DEPARTMENT MANAGER required for Chartered Accountants in the Midlands. Salary from £2,000 p.a., and pension rights. Apply Box No. 260 c/o ACCOUNTANCY.

TAXATION ASSISTANT. Oxford firm of Chartered Accountants have a vacancy in their Tax Department for an assistant with some experience of tax work generally. The work is varied and could offer opportunities for dealing with, and acquiring experience in, individuals' income tax in all its branches and partnership and company income tax and profits tax. Apply in own handwriting, stating age, experience and salary required, to CRITCHLEY, WARD & PIGOTT, 1/5 Broad Street, Oxford.

VACANCIES available for qualified Accountants in South America, West Indies, Rhodesia, Kenya, Far East and the Continent. Call BOOTH'S AGENCY, 80 Coleman St., Moorgate, E.C.2.

APPOINTMENT REQUIRED

QUALIFIED ACCOUNTANT, Indian, with previous experience, seeks responsible position, either in trade, industry or professional firm, preferably in the City. Can join at a month's notice. Box No. 254, c/o ACCOUNTANCY.

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LEEDS. Old established firm of C.A.s seek junior partner aged 28–36. The appointment will be made after probationary period of 1–2 years. Applicants must be men of character and personality, have good scholastic and examination records, be well informed and experienced in modern auditing and accounting techniques. No payment for goodwill but own modest capital would be favourable factor. All applications in confidence to Box No. 237, c/o ACCOUNTANCY.

MISCELLANEOUS

A FAMOUS Mutual Life Assurance House needs a few men of drive and integrity to act as AGENTS for life assurance. Accountants and Book-keepers have the right contacts and can best serve their "Mutual" interests. Full details from Box No. 195, c/o ACCOUNTANCY.

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Published by THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES at Moorgate Place, London E.C.2, and Printed in Great Britain by THE SHENVAL PRESS, SIMSON SHAND LTD., London, Hertford and Harlow. November, 1959.